

**AGENDA**  
**REGULAR BOARD MEETING**  
**MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)**

**One McInnis Parkway, 1st Floor**  
**Retirement Board Chambers**  
**San Rafael, CA**

**October 14, 2020 – 9:00 a.m.**

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This meeting will be held via teleconference pursuant to Executive Order N-25-20, issued by Governor Newsom on March 12, 2020, Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, and Executive Order N-35-20, issued by Governor Newsom on March 21, 2020. The public may listen to and observe the meeting on YouTube at <https://youtu.be/5ipzKXyAQXQ>

If members of the public wish to comment, those comments may be submitted to MCERA via email at [MCERABoard@marincounty.org](mailto:MCERABoard@marincounty.org). This account will be monitored prior to and for the duration of the meeting. If the comment pertains to a particular agenda item, please identify that item number and the comment will be read to the Board during that discussion. Otherwise, the comment will be read under Item A, Open Time for Public Expression. All public comments submitted before or during the meeting that pertain to topics within the jurisdiction of the MCERA Board and otherwise comply with MCERA guidelines will be read in open session and kept as part of the permanent record.

The Board of Retirement encourages a respectful presentation of public views to the Board. The Board, staff and public are expected to be polite and courteous, and refrain from questioning the character or motives of others. Please help create an atmosphere of respect during Board meetings.

**EVENT CALENDAR**            9 a.m. Regular Board Meeting

**CALL TO ORDER**

**ROLL CALL**

**MINUTES**

September 9, 2020 Board meeting  
September 17, 2020 Investment Committee

## **A. OPEN TIME FOR PUBLIC EXPRESSION**

Note: The public may also address the Board regarding any agenda item when the Board considers the item.

Open time for public expression, from three to five minutes per speaker, on items not on the Board Agenda. While members of the public are welcome to address the Board during this time on matters within the Board's jurisdiction, except as otherwise permitted by the Ralph M. Brown Act (Government Code Sections 54950 et seq.), no deliberation or action may be taken by the Board concerning a non-agenda item. Members of the Board may (1) briefly respond to statements made or questions posed by persons addressing the Board, (2) ask a question for clarification, or (3) provide a reference to staff for factual information.

## **B. ELECTION OF OFFICERS**

### **1. Candidates for Board Officers**

Consider and discuss nominations for Board of Retirement officer positions

## **C. BOARD OF RETIREMENT MATTERS**

### **1. Administrator's Report**

#### **a. Administrator's Update**

#### **b. Staffing Update**

#### **c. Facility Use Report**

#### **d. Future Meetings**

- October 27-28, 2020 Strategic Workshop
- October 28, 2020 Audit Committee
- November 4, 2020 Board

### **2. Standing Committee Reports – Governance Committee**

#### **a. Proxy Voting**

##### **1. Proxy Voting Reports**

Proxy voting records of public equity managers for June 30, 2020

#### **b. Governance Risk Report – Institutional Shareholder Services (ISS) – Nathan Worthington and Jack Ferdon**

Review and discuss the ISS quarterly Risk Assessment Report and consider appropriate action, if any.

#### **c. Existing Policies – Standard Review with Proposed Updates**

##### **1. Investment Policy Statement (Action)**

Consider possible action on Governance Committee recommendation to adopt updates to policy

##### **2. Credit Card Policy (Action)**

Consider possible action on Governance Committee recommendation to adopt updates to policy

3. Election and Duties of Board Officers Policy (Action)  
Consider possible action on Governance Committee recommendation to adopt updates to policy
4. Fiduciary Liability Insurance and Claims Reporting Policy (Action)  
Consider possible action on Governance Committee recommendation to adopt updates to policy
5. Portable Electronic Device Policy (Action)  
Consider possible action on Governance Committee recommendation to adopt updates to policy
- d. Existing Policies – Standard Review without Proposed Updates
  1. Governance Committee Charter (Action)  
Conduct standard charter review
  2. Investment Committee Charter (Action)  
Conduct standard charter review
3. Trustee Comments
  - a. Educational Training: Reports by Trustees and Staff
  - b. Other Comments

**D. DISABILITY CONSENT AGENDA (TIME CERTAIN: 9:30 a.m.) (Action)**

Any item that a Board member requests be pulled from the Disability Consent Agenda will be considered in Closed Session under the authority of Government Code section 54957(b), unless the applicant specifically waives confidentiality and requests that their application be considered in Open Session.

1. Daniel Marrett                                      Service-connected                                      County of Marin

Adopt Administrative Recommendation to adopt Administrative Law Judge's proposed findings of fact and recommended decision to grant service-connected disability retirement application.

**E. CONSIDERATION OF AND ACTION ON NON-CONSENT AGENDA DISABILITY RETIREMENT APPLICATIONS (TIME CERTAIN: 9:30 a.m.) (CLOSED SESSION) (Action)**

Any non-Consent Agenda disability retirement application, whether pulled from the Disability Consent Agenda or originally agendaized as a non-Consent agenda item, will be considered in Closed Session unless the applicant specifically waives confidentiality and requests that his or her application be considered in Open Session. The Board will move into Closed Session via virtual breakout room. The live stream will indicate the Board is in Closed Session.

1. Lori Marziano                                      Service-connected                                      County of Marin

Initial consideration of an application for service-connected disability retirement

## **F. LEGAL MATTERS**

1. Conference with Legal Counsel – Existing Litigation (Paragraph (1) of subdivision (d) of Gov. Code Sec. 54956.9). (CLOSED SESSION)  
*Marin Association of Public Employees, et al. v. Marin County Employees' Retirement Association*, Marin County Superior Court Case No. CIV1300318

## **G. NEW BUSINESS**

1. Board Meeting Calendar for 2021 (Action)  
Consider and take possible action to approve Calendar
2. SACRS Voting Delegate (Action)  
Select delegate to submit MCERA's vote for the SACRS Board of Directors
3. Future Meetings  
Consider and discuss agenda items for future meetings.

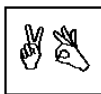
## **H. OTHER INFORMATION**

1. Training Calendar (Action)

## **I. CONSENT CALENDAR (Action)**

**Note on Process:** Items designated for information are appropriate for Board action if the Board wishes to take action. Any agenda item from a properly noticed Committee meeting held prior to this Board meeting may be considered by the Board.

**Note on Voting:** As provided by statute, the Alternate Safety Member votes in the absence of the Elected General or Safety Member, and in the absence of both the Retired and Alternate Retired Members. The Alternate Retired Member votes in the absence of the Elected Retired Member. If both Elected General Members, or the Safety Member and an Elected General Member, are absent, then the Elected Alternate Retired Member may vote in place of one absent Elected General Member.



Agenda material is provided upon request. Requests may be submitted by email to [MCERABoard@marincounty.org](mailto:MCERABoard@marincounty.org), or by phone at (415) 473-6147.

MCERA is committed to assuring that its public meetings are accessible to persons with disabilities. If you require American Sign Language interpreters, assistive listening devices or other accommodations to participate in this meeting, these may be requested by calling (415) 499-7331 (voice) or (415) 499-6172 (TTY) at least 72 hours in advance.

The agenda is available on the Internet at <http://www.mcera.org>

**MINUTES**  
**REGULAR BOARD MEETING**  
**MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)**

**One McInnis Parkway, 1st Floor**  
**Retirement Board Chambers**  
**San Rafael, CA**

**September 9, 2020 – 9:00 a.m.**

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This meeting was held via teleconference pursuant to Executive Order N-25-20, issued by Governor Newsom on March 12, 2020, Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, and Executive Order N-35-20, issued by Governor Newsom on March 21, 2020. The public was able to listen to and observe the meeting on YouTube.

**EVENT CALENDAR**      9 a.m. Regular Board Meeting

**CALL TO ORDER**

Vice Chair Thomas called the meeting to order at 9:00 a.m.

**ROLL CALL**

**PRESENT:**    Block, Cooper, Given, Gladstern, Jones (alternate retired), Klein, Murphy, Poirier (alternate safety), Shaw (ex officio alternate), Thomas, Werby

**ABSENT:**     Silberstein

**MINUTES**

It was M/S Given/Gladstern to approve the July 8, 2020 Board Meeting Minutes as submitted. The motion was approved by a vote of 8-0 as follows:

**AYES:**        Block, Cooper, Given, Gladstern, Klein, Murphy, Thomas, Werby  
**NOES:**        None  
**ABSTAIN:**    None  
**ABSENT:**     Silberstein

It was M/S Gladstern/Murphy to approve the August 12, 2020 Board Meeting Minutes as submitted. The motion was approved by a vote of 8-0 as follows:

**AYES:**        Block, Cooper, Given, Gladstern, Klein, Murphy, Thomas, Werby  
**NOES:**        None  
**ABSTAIN:**    None  
**ABSENT:**     Silberstein

Draft for consideration at October Board meeting

It was M/S Given/Murphy to approve the June 17, 2020 Investment Committee Meeting Minutes as submitted. The motion was approved by a vote of 8-0 as follows:

AYES: Block, Cooper, Given, Gladstern, Klein, Murphy, Thomas, Werby  
NOES: None  
ABSTAIN: None  
ABSENT: Silberstein

**A. OPEN TIME FOR PUBLIC EXPRESSION**

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Open time for public expression, from three to five minutes per speaker, on items not on the Board Agenda. While members of the public are welcome to address the Board during this time on matters within the Board's jurisdiction, except as otherwise permitted by the Ralph M. Brown Act (Government Code Sections 54950 et seq.), no deliberation or action may be taken by the Board concerning a non-agenda item. Members of the Board may (1) briefly respond to statements made or questions posed by persons addressing the Board, (2) ask a question for clarification, or (3) provide a reference to staff for factual information.

No members of the public provided comment.

**B. ELECTION OF BOARD OFFICERS**

1. Election and Duties of Board of Retirement Officers Policy

Review and discuss existing policy for election of Board of Retirement Officers

Retirement Administrator Jeff Wickman stated last year the Board changed the annual process for election of Board Officers. The first step of the process is to present the Election and Duties of Board of Retirement Officers Policy to the Board for discussion. The Policy lays out the roles of each officer and steps in the election process and will be amended to incorporate the changes. The Administrator welcomed input into policy amendments from the trustees.

2. Candidates for Board Officers

Solicit interest for Board of Retirement officer positions, with nominations requested by October Board meeting

The next step in the election process is to invite trustees to express their interest in serving in an officer position at the October Board meeting. Then the election of officers will be held at the November Board meeting.

**C. BOARD OF RETIREMENT MATTERS**

1. Administrator's Report

a. Administrator's Update

Mr. Wickman reported construction has begun on the Suite 100 space reduction project. The existing kitchen, training room and extra space on the south side of the building are being added to Suite 150 and Suite 175 for leasing. The file room will be converted to a new kitchen area. The work is expected to be completed by the end of September.

MCERA's preliminary investment return has been adjusted from 1.88% to 1.81% for the fiscal year ending June 30, 2020. The final return will be available when the June 30, 2020 private equity valuations are complete.

Transparent California made its annual California Public Records Act request for retiree and beneficiary payroll for calendar year 2019. MCERA's response will be sent later this week.

b. Staffing Update

The Administrator previously reported that Accounting Unit Manager La Valda Marshall made an offer to a candidate for the Senior Accounting Assistant position which has been accepted.

Lorna Shamrock, Senior Benefits Technician, submitted her notice that she plans to retire at the end of 2020. Mr. Wickman commended Ms. Shamrock as a valuable member of our team since August 2007 and said we are happy she can fulfill her personal goals to be closer to her grandkids.

c. Facility Use Report

No facility use in the period.

d. Future Meetings

- September 17, 2020 Investment Committee
- October 7, Governance Committee
- October 14, 2020 Board

2. Standing Committee Reports

a. Finance and Risk Management Committee

1. Administrative Budget Fiscal Year 2019/20 Quarterly Review

Consider and review expenses for quarter ending June 30, 2020

Finance and Risk Management Committee Chair Todd Werby reported total administrative expenditures for the fiscal year ending June 30, 2020 were 82% of the budgeted amount. For the quarter ending June 30, 2020, Salaries and Benefits were slightly under budget due to vacant positions. Electronic Supplies were higher as result of purchases to support staff remote working.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

Non-budgeted expenses were in line with previous quarters.

3. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

Educational and event-related expenses include a balance of Board member and staff conferences and educational events.

b. Continuing Trustee Education Log

The Trustee Continuing Education Log shows trustees are making progress toward 24 hours required every two years.

c. Other expenses per Checklist Guidelines

A credit card has been added for the Retirement Administrator.

d. Variances in the MCERA administrative budget in excess of 10%

See discussion above.

e. Vendor services provided to MCERA

No new vendor services to report.

f. MCERA staffing status

See Administrator's report above.

g. Internal controls, compliance activities and capital calls

For the fiscal year in the private equity program, MCERA received \$19 million in distributions from Abbott and paid \$15.5 million in capital calls. Pathway distributed \$39.9 million and was paid \$27 million in capital calls.

h. Audits, examinations, investigations or inquiries from governmental agencies

Nothing to report.

i. Other items from the Administrator related to risk and finance

Mr. Wickman had advised the Committee of a \$9 million cash need for the upcoming fourth quarter. Today he reported the cash need was resolved when margin cash from the overlay program was transferred back into MCERA's bank account as a result of the recent market runup.

The Administrator will be going through the exercise of reviewing administrative expenditures to see where areas of efficiency may allow for reductions to the 2021-22 fiscal year administrative budget.

4. Threat to Services Provided by MCERA (Discussed in Closed Session pursuant to Gov. Code sec. 54957(a))

Consultation with: Cyber security consultant Peter Dewar, Linea Secure



This agenda item was heard in Closed Session by the Committee and nothing was reported out.

5. Information Technology Security Assessment Report  
Staff report on risk planning and processes for MCERA

The one finding in the MCERA Information Technology Security Assessment Report was a terminated employee who still had access to the CPAS employer portal. The individual had not accessed, nor attempted to access, the portal and access for the individual was removed.

6. Annual Audit of Financial Statements Update  
Update on audit process

See Audit Committee report below.

b. Audit Committee

1. Financial Audit Review – Interim Fieldwork Phase – Rosalva Flores, Brown Armstrong

Review and discuss preliminary fieldwork phase results

Audit Committee Chair Gladstern reported that Brown Armstrong recently completed the interim fieldwork phase of the annual audit. Auditor Rosalva Flores stated working remotely creates more risk but has been working well. The auditors held their Interim Exit conference and have been discussing follow-up items with management.

Areas covered in the annual audit included controls, policies and procedures, and participant data. The auditors confirm pensionable compensation with employers and confirm the accuracy of pensionable compensation computations. A recent news article on MCERA's funding status was discussed and pointed out to the auditor. The Committee also discussed real estate valuations with the Auditors and what process they would use to test the valuations.

3. Ad Hoc Committee Reports

a. Ad Hoc Education Committee

1. Strategic Workshop Agenda (Action)

Consider and take possible action to approve agenda

Ad Hoc Education Committee Chair Block presented and reviewed the proposed agenda for the October 27-28, 2020 Strategic Workshop. Chair Block pointed out that time has been given to address investment items that were previously scheduled for the September Investment Committee meeting.

Mr. Wickman explained time was needed at next week's Investment Committee meeting to conduct interviews with distressed debt managers. Therefore, private equity items were moved to the first day of the Workshop.

Draft for consideration at October Board meeting

It was M/S Gladstern/Given to approve the Strategic Workshop Agenda as submitted. The motion was approved by a vote of 8-0 as follows:

AYES: Block, Cooper, Given, Gladstern, Klein, Murphy, Thomas, Werby  
NOES: None  
ABSTAIN: None  
ABSENT: Silberstein

b. Ad Hoc One McInnis Committee

Mr. Wickman reported the Ad Hoc One McInnis Committee held several meetings in the past month. The Committee revisited the topic of moving MCERA to Suite 150. Ultimately the Committee agreed to continue with the current plan to reduce the space MCERA currently occupies in Suite 100 and split Suite 150 into two Suites (150 and 175) for leasing purposes.

The Administrator expressed his appreciation for the patience of Committee members Roy Given, Maya Gladstern, and Todd Werby for their time and effort on the building analysis. Vice Chair Thomas asked if there is any interest from renters and Mr. Wickman replied there has been one walk-through. The focus now, he said, is to complete the Suite 100 reduction plan and then begin building the Suite 150 and 175 spec suites.

4. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Mr. Wickman noted there had been no training reported for the period and this is an opportunity for trustees to report on an event they may have attended.

b. Other Comments

No other comments.

**D. NEW BUSINESS**

1. Final Public Employee Performance Evaluation. Title: Retirement Administrator Board Chair report on Consensus Evaluation

Counsel Ashley Dunning reported on the Board's annual Consensus Evaluation. Ms. Dunning stated that Board members expressed their satisfaction and appreciation for Retirement Administrator Jeff Wickman's service.

2. Future Meetings

Consider and discuss agenda items for future meetings.

No discussion.

Draft for consideration at October Board meeting

**E. OTHER INFORMATION**

**1. Training Calendar (Action)**

The Administrator highlighted new events on the Training Calendar which continue to be virtual events. For the Nossaman Fiduciaries' Forum, up to four trustees may attend. Ms. Dunning noted registration for the Forum is free and can be parsed into events on different days.

It was M/S Murphy/Gladstern to approve the Training Calendar as submitted. The motion was approved by a vote of 8-0 as follows:

AYES: Block, Cooper, Given, Gladstern, Klein, Murphy, Thomas, Werby  
NOES: None  
ABSTAIN: None  
ABSENT: Silberstein

**F. CONSENT CALENDAR (Action)**

It was M/S Gladstern/Given to approve the Consent Calendar as submitted. The motion was approved by a vote of 8-0 as follows:

AYES: Block, Cooper, Given, Gladstern, Klein, Murphy, Thomas, Werby  
NOES: None  
ABSTAIN: None  
ABSENT: Silberstein

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**CONSENT CALENDAR**

MCERA BOARD MEETING, WEDNESDAY, September 9, 2020

**AUGUST 2020**

<b>RETURN OF CONTRIBUTIONS</b>			
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Gina Chincarini	Full Refund - Termination	\$	41,236.13
Zohar Zimmerman	Full Refund - Termination	\$	1,505.63

<b>BUYBACKS</b>			
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John Karr		\$	9,568.65
Melissa Marie Merz		\$	5,431.20
Frederick Peng		\$	2,273.78

<b>NEW RETIREES</b>	
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Charles Barboni	County of Marin - Cultural Services
Elizabeth Berg	County of Marin - Department of Finance
Carol Buchholz	Tamalpais Community Services District
Michael Daly	County of Marin - Probation
Steven De La O	County of Marin - Sheriff/Coroner
Edmond Dea	County of Marin - Department of Finance

Draft for consideration at October Board meeting

Anne Derrick	City of San Rafael
Lori Giffoni	County of Marin - Assessor-Recorder-County Clerk
Dina Griffith	County of Marin - DRO
Selina Johnson	County of Marin - Probation
Rebecca Leacock	County of Marin - Probation
Robin Merrill Payne	County of Marin - Health & Human Services
Larry Salvisberg	City of San Rafael
Vincent Sanfilippo	Tamalpais Community Services District
Anna Rose Sibeto	County of Marin - Assessor-Recorder-County Clerk
Michael Thompkins	City of San Rafael
Carol Tran	County of Marin - Department of Finance

<b>DECEASED RETIREES</b>
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Elaine Bachelder	County of Marin - Human Resources
Marion Boyd	County of Marin - Cultural Services
Dorothea Collins	City of San Rafael
Robert Conklin	County of Marin - Sheriff/Coroner
Margaret Peterson	County of Marin - Office of Education
Betty Posey	County of Marin - Assessor-Recorder-County Clerk
Martha Sorensen	County of Marin - Sheriff/Coroner
Norman Walters	County of Marin - Public Works

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There being no further business, Vice Chair Thomas adjourned the meeting at 9:34 a.m.

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Jeff Wickman  
Retirement Administrator

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Michelle Hardesty  
Assistant Retirement Administrator

On behalf of:  
Phillip Thomas, Board Vice Chair

On behalf of:  
Laurie Murphy, Secretary

For consideration at October Board meeting

## **MINUTES**

### **INVESTMENT COMMITTEE MEETING MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)**

**One McInnis Parkway, 1st Floor  
Retirement Board Chambers  
San Rafael, CA**

**September 17, 2020 – 9:00 a.m.**

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This meeting was held via teleconference pursuant to Executive Order N-25-20, issued by Governor Newsom on March 12, 2020, Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, and Executive Order N-35-20, issued by Governor Newsom on March 21, 2020.

#### **CALL TO ORDER**

Chair Klein called the meeting to order at 9:06 a.m.

#### **ROLL CALL**

**PRESENT:** Block, Given, Gladstern, Jones (alternate retired), Klein, Murphy, Shaw (ex officio alternate), Silberstein, Thomas, Werby

**ABSENT:** Cooper, Poirier (alternate safety)

#### **A. OPEN TIME FOR PUBLIC EXPRESSION**

Note: The public may also address the Committee regarding any agenda item when the Committee considers the item.

Open time for public expression, from three to five minutes per speaker, on items not on the Committee Agenda. While members of the public are welcome to address the Committee during this time on matters within the Committee's jurisdiction, except as otherwise permitted by the Ralph M. Brown Act (Government Code Sections 54950 et seq.), no deliberation or action may be taken by the Committee concerning a non-agenda item. Members of the Committee may (1) briefly respond to statements made or questions posed by persons addressing the Committee, (2) ask a question for clarification, or (3) provide a reference to staff for factual information.

No members of the public provided comment.

#### **B. NEW BUSINESS**

##### **1. Private Debt Manager Interviews**

Conduct interviews with potential private debt managers.

For consideration at October Board meeting

a. Manager Overview – Jim Callahan, President, Callan LLC.

Jim Callahan, President of Callan LLC, stated the Investment Committee is interviewing three private debt managers today for a potential allocation. After the interviews, if the Committee chooses to go forward, there will be discussion to determine where private debt fits into the portfolio and the size of the potential allocation. The Committee is joined again by private debt specialist Catherine Beard of Callan.

b. CarVal – 9:15 a.m. – Lucas Detor, Matthew Hanson

Matthew Hanson, Managing Director of Investor Relations with CarVal, stated the firm has a 30-year approach to investing in the private and public credit markets. Due to COVID-19 a classic distress cycle has emerged providing investment opportunities. These include nonperforming loans which are a \$2.2 trillion opportunity set. The U.S. default loan rate and levered loan market are increasing, and banks are responding in kind with over \$50 billion of loan loss provisions in the first quarter of 2020 alone.

Mr. Hanson said CarVal employs fundamental value investing using a multi-strategy approach. The investment process includes sitting on credit committees and influencing restructuring. Fund returns have been almost always in the first quartile of peers. The commonality of CarVal Credit Value Funds II, III and IV is organic cash flows that can be distributed back to investors. Mr. Hanson introduced Lucas Detor, one of the three Managing Principals of CarVal.

Mr. Detor said CarVal invests in the best global opportunities including corporate securities, loan portfolios purchased from banks, structured credit and hard assets. He explained that structured credit involves pooling assets and selling debt against the assets. Hard assets are in the aviation and renewable energy sectors where CarVal is seeing opportunities. Portfolios are brought together by determining base cash flow for every deal. The upside and downside is analyzed to assess risk and mitigate the downside, he said, noting the investment team's loss ratio is in the low single digits. The firm does not use a lot of leverage and is patient with its investments. He emphasized the importance of sourcing ideas through CarVal's network. Mr. Detor pointed out that the Great Financial Crisis was a good pressure test for the strategy, and it performed well.

Trustee Gladstern asked about diversity on the investment team. Mr. Detor replied there is a woman at the top of the organization and the plan is to focus on hiring diversity in the investment team.

Mr. Detor discussed examples of how CarVal gets involved in organizing disorganized cash flows or loan portfolios and turns them into viable investments. CarVal made a loan based on a price reduction of a hotel and is getting paid 15% interest with an added equity interest. The hotel is expected to recover in the next three or four years. In another example partners purchased and operate a solar farm at an 8% unlevered yield to CarVal and 20-year contract. CarVal sold the debt at a 3% yield and makes

For consideration at October Board meeting

additional return there. In a different scenario, CarVal purchased the debt of a bankrupt satellite firm at the 50- 60 cents on the dollar level. The firm has a good management team and is expected to come out of Chapter 11 bankruptcy with a successful business.

Mr. Hanson stated Credit Value Fund V raised over \$3 billion in the initial close and capital will be capped at \$3.5 to 4 billion. Over 8% of funds raised in the first close were reups from prior investors. Ms. Beard asked how the amount of capital in the fund might change the opportunity set and upside potential. Mr. Detor replied the opportunity set has expanded along with the amount of capital raised and he expects continued dislocations in selected sectors. Ms. Beard inquired about alignment of interests. Mr. Detor replied managers are heavily personally invested in the funds, own 100% of the firm, and distributed a second share class to every employee. Compensation for investors is full return of investment and compound interest before CarVal receives any fee. Ms. Beard also asked about distressed residential mortgages and Mr. Detor replied most of this is in reperformance loans. The best workout is to keep the resident in the home since in foreclosure nobody wins.

Trustee Gladstern asked if CarVal provides ILPA disclosures and Mr. Hanson replied yes and they will provide the disclosures on a regular basis. Trustee Block asked if the Brice (the former President of CarVal) litigation is over and Mr. Detor replied it was settled several years ago. Trustee Werby asked about the special servicing sector and Mr. Detor said CarVal does not provide special services but may work with special service providers.

c. Fortress – 10:15 a.m. – Drew McKnight, Danny Kayne

Managing Director Danny Kayne, Global Head of Consultant Coverage, stated Fortress manages highly diversified investments and targets cash flows. The firm has successfully managed private debt over the last 18 years. In late 2007 and 2008, the investment team anticipated volatility and launched the first of six Credit Opportunities Funds supported by the same investment team. Target returns for Funds I through V have been achieved or exceeded and the Fund V targeted return is 18% or higher. The Fund V Expansion will have 4 years to invest and six years to mature and has a 20% target return. Final funding is in October and the firm has made room for MCERA to invest. Mr. Kayne introduced Drew McKnight, co-Chief Investment Officer and one of the four Managing Partners for Fortress Credit.

Mr. McKnight stated the Fortress Credit Opportunities Fund V Expansion is a top decile credit opportunity set. He said COVID-19 has changed the investing landscape. The first of four credit phases was forced liquidation which is over. Now there is an illiquidity phase with more private transactions and bilateral negotiations. Mr. McKnight said the firm has an active pipeline and its sourcing network is broad. Complex transactions are structured with downside protection. The next cycle will be the reconstruction phase and the need for capital in this phase is expected to be immense, he said.

For consideration at October Board meeting

Mr. McKnight discussed the opportunistic credit investment spectrum and noted all investment ideas are assessed on a relative basis by their Investment Committee. Sectors are lending, corporate debt and securities, portfolios and orphaned assets, real estate, and structured finance. Existing investments are closely managed by a separate asset management function to prevent distraction, he said, calling this a distinguishing characteristic of Fortress. He highlighted patience in recovering investments when things go wrong and investing in countries with Western rule of law to be able enforce contracts.

Trustee Gladstern asked about diversity in the investment committee. Mr. McKnight replied there is one woman and Indian and Muslim members on their Investment Committee. He stated that they were faced with challenges for hiring diversity candidates into their business. Chair Klein asked how Fortress is finding illiquid investment opportunities since capital markets seem liquid now. Mr. McKnight agreed the Federal Reserve Bank (Fed) has improved market liquidity but is not investing in the private markets. He added the opportunities in March and April of 2020 are not around anymore. A recent investment was the purchase in June of a Sur La Table Senior Secured Loan at approximately 30 cents on the dollar with a view to the asset value of the firm. The assumption was Fortress would have to fund the business until it recovered. Some shopping centers offered no-rent opportunities to keep Sur La Table in its space. Ultimately in a bankruptcy auction a bidder offered to pay Fortress at par for the debt. The result was in two months Fortress made 2 ½ times its investment.

Mr. McKnight said Fortress owns a special servicer in Europe which lends insight and has broad servicing relationships across multiple industries. Investment committee members specialize in different asset classes, and the investment pipeline shows Fortress is active across a number of asset classes. Fortress is cautious about commercial real estate space. He discussed the legal asset business which is unique and involves financing the general counsel's business. It does not depend on market exits and is a good diversifier, he said. Chair Klein asked if they are assuming litigation risk and how damages are valued. Mr. McKnight replied technically the company holds the risk. In one investment Fortress calculated the damages, which can triple if there is a judgment, to assess the value of the investment. In this price-fixing case the valuation was based on a price differential of pharmaceutical drugs. Fortress received its investment back with a 10% return and also began sharing in the upside.

Mr. McKnight discussed the triple net lease portfolio, explaining that the real estate underneath a retailer needing liquidity is purchased and leased back to the counterparty. The counterparty is obligated to pay Fortress unless it files for bankruptcy. Trustee Werby asked how Fortress can target a 20% return on net leases. In response, Mr. McKnight said it is financial markets engineering. He gave the example of Amazon paying Fortress a 6% cap rate to lease distribution centers back to Amazon. Fortress then entered into back-to-back financing for 60% investment of the investment which resulted in earning a 3% incremental yield times 1.5. This resulted in a 13% cash-on-cash yield. Finally, Fortress closed a securitization taking the financing 60% to 90% on a cash flow basis, resulting in a return of two times the invested capital. In another



For consideration at October Board meeting

example when Amazon bought Whole Foods the public stocks of other grocers went down. Fortress underwrote the Kroger credit risk and real estate at a 7.5% cap rate and financed it in the same way described above. Fortress also bought 70 stores and then sold them at about a 5% cap rate. Mr. McKnight said these examples highlight the depth of Fortress' team, which is a competitive advantage.

Trustee Gladstern asked if Fortress has ILPA disclosures and Mr. Kayne replied he will get back to the Committee on this question. In response to Chair Klein's inquiry, Mr. McKnight said Fortress does not finance the private equity side of Fortress. Fortress will sometimes partner with companies buying assets. Ms. Beard asked about alignment of interests. In response Mr. McKnight said all members of the investment team invest across the capital structure and managers are invested in the Fortress funds. Trustee Werby requested an example of an investment that was not recovered. In response Mr. McKnight said Fortress made a loan to a person who through fraud had not signed the agreement. Fortress litigated and is at about 70% recovery of the investment so far.

Chair Klein recessed the meeting for a break at 11:25 a.m. and reconvened the meeting at 11:35 a.m.

d. Varde – 11:30 a.m. – George Hicks, Brad Bauer, Andrew Knapp

Andrew Knapp, Director and Relationship Manager on Varde's Business Development Team, said Varde developed the Varde Dislocation Fund in response to the stress created by the COVID-19 pandemic. The Dislocation Fund has been active since June 2020 and has deployed over \$500 million in capital to date. Mr. Knapp introduced George Hicks, co-Chief Executive Officer who is one of the co-founders and partners of the firm, and Brad Bauer who is a partner and serves as Deputy Chief Investment Officer.

Mr. Hicks gave an overview of the firm, emphasizing its expansive global platform, investment team and culture built up over time. He stressed relationships give the firm the ability to put capital to work in both public and private markets across the globe. Investments are mostly in developed markets in the Corporate and Traded Credit segments. Varde is a value investor looking at 50 cents on the dollar debt opportunities. Mr. Hicks stated default rates are at 6% now and we are at the tail end of the dislocation phase. Moving into the middle cycle, debt markets have stabilized and Varde is beginning to look at bankruptcies in the late stage cycle.

Mr. Bauer said the investment grade market has been the focus of the Dislocation Fund. An example is a triple-net lease REIT in high-quality tenant space. Mr. Bauer said in the emerging mid-cycle the investment focus is on large corporate stress, capital structure dislocation, structured credit, rescue lending, and performing loan portfolios. Going forward, Mr. Bauer is expecting opportunities to emerge in hotels and rescue lending because the level of dislocation is just beginning to be recognized. Rescue lending is centered on primary lending in real estate and financial services. The manager is looking for a return of 1.2 or 1.3 times the investment over about 12 months

For consideration at October Board meeting

and then Varde will reinvest. The firm has not done much on the distressed corporate arena, he said. Debt in quality companies may be purchased at 60 cents on the dollar and sold when the company recovers. He noted private equity firms are looking to solve their capital needs due to extended investment periods so Varde sees opportunities there.

Ms. Beard asked about the philosophy around the 18-month investment period and Mr. Bauer replied this was in response to client requests. Ms. Beard asked if the investment opportunity set is sufficient. Mr. Hicks noted they have not seen the snapback in travel and leisure sectors yet and the economic damage is still there. The investment grade opportunity set has largely retraced. They still have a view that distress takes time to play out and they expect to launch a fund to take advantage when the conviction is there.

Trustee Gladstern asked if Varde provides ILPA fee disclosures. Mr. Knapp replied fee disclosure is addressed in side-letter negotiations and they are flexible on that. Trustee Werby asked what percentage of the fund is invested in loan portfolios. Mr. Bauer said it is all corporate traded credit and there are no loan portfolios as of today. He expects minor exposure to loan portfolios going forward. Trustee Murphy asked what expectations are for Fed policy in the mid-cycle phase. Mr. Hicks replied interest rates are expected to continue to be low and therefore financial firms that depend on interest margins will be more challenged.

## 2. Private Debt Manager Selection (Action)

Consider and take possible action to select manager(s) for private debt allocation

Ms. Beard gave her analysis of the three private debt managers. She stated all are high conviction in their ability to capture dislocation in the private debt markets. They also have broad multi-strategy platforms and have the same 1.5% management fee and 20% carry fee. Returns in the mid to high teens are expected from all three managers.

Distinctive characteristics of the three managers include the following:

- The CarVal Credit Value Fund V has a duration of 6 years with a 3-year investment period which is in the middle of the three managers. CarVal has particular strength in Europe and an area of focus in the renewable energy space. The firm is culturally conservative and a disciplined credit investor.
- Fortress has the broadest and deepest platform with a history of leaning toward complex transactions. Its funds have a slightly stronger historical performance track record and strong loss recovery. The term of the Credit Opportunities Fund V Expansion is 10 years with a 4-year investment period.
- The Varde Dislocation Fund has a shorter term of 4 years and an 18-month investment period. The firm will probably come to market with a longer-term distressed debt fund to capture Phase 3 of the distressed debt credit cycle. The focus is on liquid corporate securities, so exposure is not as broad.

For consideration at October Board meeting

Mr. Wickman paused the discussion because the public could not hear Ms. Beard's analysis above. Mr. Callahan summarized Ms. Beard's comments recorded above and noted Fortress stands out because of the depth of their platform.

Mr. Callahan indicated an allocation with a 0% target and 5% range would be reasonable if the Committee is interested in private debt. The question then is how much to commit, and he suggested between \$50 to \$100 million could be invested assuming a \$2.5 billion Fund value. Fortress is oversubscribed and offered \$30 million which would be \$23 million for MCERA.

Trustee Gladstern asked which firms have a relationship with Callan and Mr. Callahan said none. Chair Klein asked about Softbank's acquisition of Fortress and how that impacts employee retention. Ms. Beard replied key senior members of the credit team have employment contracts, and Trustee Given added the contracts are through 2022. Mr. Callahan said the risk of losing key members is low. Ms. Beard added the more likely outcome is for key members to take the firm private again which would be a positive.

Administrator Wickman requested a short break while meeting participants reconnect and reconvened the meeting at 12:59 p.m.

Trustee Werby requested a comparison of track records for the three firms. Ms. Beard replied Fortress has the most consistent top quartile performance in both net Internal Rate of Return (IRR) and Total Value to Paid-In Capital (TVPI) multiples. In 2008 Fortress outperformed the other two managers. From 2008 through 2020 Fortress had the lowest level of portfolio losses among the three managers and had a fairly high recovery rate. In general, the multiples are very similar across the three funds, Ms. Beard said.

Trustee Block expressed concern with CarVal's potential allocation of 15% to distressed Chinese debt and asked why they would do that. Ms. Beard said she would check with CarVal on this question. Mr. Callahan noted the 15% potential exposure to China is a limit and the other funds do not have those levels of allocation to China. Trustee Block asked if we could preclude Chinese investments, and Ms. Beard indicated this would be difficult. Trustee Werby pointed out a loss for CarVal which Ms. Beard said was due to a misstep in a shipping investment.

Mr. Wickman requested that Ms. Beard repeat her review of the three managers for the benefit of the public who were not able to hear her earlier. Ms. Beard said all three have strong track records with a few distinguishing characteristics:

- CarVal is employee owned, and its Credit Value Fund V can invest in public and private assets throughout the three phases of the distressed credit cycle.
- Fortress has more niche capabilities to invest in litigation finance and intellectual property lending. Fortress takes on more complexity and invests across all three phases. The Fortress Credit Opportunities Fund V Expansion has the longest term with a 4-year investment period and 10-year maturity.

For consideration at October Board meeting

- Varde is a multi-strategy global credit platform whose Dislocation Fund has a shorter tenure of 4.5 years and 18-month investment period. Most investments are in liquid corporate credit dislocation opportunities.

Trustee Werby asked about the value of TVPI versus IRR multiples and Mr. Callahan said TVPI is the more important measure. Trustee Werby proposed investing in all three managers since the Fortress opportunity is limited. He emphasized the importance of skill when investing in the private markets. Trustee Gladstern asked if the time needed to negotiate contracts would result in losing investment opportunities. Ms. Dunning said her partner has successfully negotiated with two of the three managers and they will do their best to close the deals on time.

Trustee Given asked about the source of funds. Chair Klein asked about the decision process and Mr. Wickman recommended making the manager selection first, then deciding on the allocation. Mr. Callahan reviewed allocation options for the three managers.

It was M/S Gladstern/Thomas to invest \$100 million using Option 3 in the Callan presentation with a 40-40-20 allocation to CarVal, Varde, and Fortress, respectively.

Trustees Werby, Murphy and Given indicated a preference not to limit the Fortress investment. Trustee Gladstern supported this idea and restated her motion:

It was M/S Gladstern/Thomas to select Fortress, CarVal and Varde to manage the private debt portfolio with an initial investment of \$100 million, maximizing Fortress up to an equal share and dividing the remainder between the other two managers.

Trustee Block indicated a preference for hiring two managers, Fortress and CarVal, to lower the expense. Chair Klein supported the motion and was impressed with the CarVal and Fortress presentations as well as Fortress' skill at pricing. She noted both managers were buying during the March 2020 market dislocation. Upon discussion, the consensus was to use all three managers for the diversification benefit.

The motion was approved by a vote of 8-0 as follows:

AYES: Block, Given, Gladstern, Klein, Murphy, Silberstein, Thomas, Werby  
NOES: None  
ABSTAIN: None  
ABSENT: Cooper, Poirier

Mr. Callahan stated there is a need to create an opportunistic allocation with a 0% target allocation and 5% maximum allocation. He explained there will be capital calls over time for these funds and the Administrator will consider where to source the funds based on allocations at that time. Mr. Wickman stated staff will look to equities first as a source of funding. Ms. Dunning stated the agenda item gives sufficient notice for the Committee to establish what the allocation will be. She added the Committee can amend the Investment Policy Statement and bring it back to the next Committee meeting.

For consideration at October Board meeting

It was M/S Block/Given to add a private debt opportunistic allocation with a 0% target and a range of 0% to 5%. The motion was approved by a vote of 8-0 as follows:

AYES: Block, Given, Gladstern, Klein, Murphy, Silberstein, Thomas, Werby  
NOES: None  
ABSTAIN: None  
ABSENT: Cooper, Poirier

3. Investment Manager Update – Wellington Management Co., LLP – Anne Heaphy, Callan LLC

Anne Heaphy, Senior Vice President with Callan, reported that Wellington Management Company announced its Chief Executive Officer (CEO) Brendan Swords will be retiring effective June 30, 2020. Jean Hynes will succeed Mr. Swords as CEO, and Steve Klar has been appointed President effective January 1, 2021. Ms. Heaphy said succession planning is well thought out and the officer transitions are not expected to impact the MCERA fixed income portfolio managed by Wellington.

**C. INVESTMENT CONSULTANT QUARTERLY REPORT**

1. Quarterly Report as of June 30, 2020

a. Summary Report

Mr. Callahan stated the quarter ending June 30, 2020 had a strong comeback in the U.S. equity markets marked by the leadership of large cap stocks. He reviewed the performance of equity indices, highlighting the 27.8% rise in the Russell 1000 Growth Index for the quarter. Mr. Callahan pointed to the leadership of U.S. markets over other markets, noting the U.S. Dollar has been strong. Fixed income performance has been extraordinary, he said, due to low interest rates. The question is the role of fixed income in the portfolio as performance is not likely to continue. Other economic fundamentals have not recovered as much.

Total Fund assets as of June 30, 2020 were slightly less than \$2.6 billion and the Total Fund was up over 12% for the quarter, underperforming the peer median. Mr. Callahan attributed this to the overweight to small cap that has been a headwind and to the write-down in the real estate portfolio.

Ms. Heaphy reported no new managers were added to the watchlist for the quarter. The Committee will review the watchlist at its December meeting. The UBS Trumbull Property Fund queue is at \$8.3 billion and UBS is at the bottom of a peer group performance list for NFI- ODCE Funds. There are modest improvements as economies are reopening, with continued weakness in Apartments and slower leasing activity in the Office sector. Domestic equities show strong performance for the quarter, and international managers and fixed income managers outperformed their benchmarks.

b. Flash Performance Update

Ms. Heaphy presented the Flash Performance update. As of August 31, 2020 the fiscal year return of the Fund is 6.5% and the Fund market value is \$2.74 billion.

For consideration at October Board meeting

There being no further business, Chair Klein adjourned the meeting at 2:31 p.m.

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Jeff Wickman  
Retirement Administrator

On behalf of:  
Sara Klein  
Investment Committee Chair

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Michelle Hardesty  
Assistant Retirement Administrator

On behalf of:  
Jeff Wickman  
Retirement Administrator

DRAFT

### B.1 Candidates for Board Officers

There is no backup for this agenda item.

## C.1 Administrator's Report

This is a discussion with no backup.



### C.2.a.1 Proxy Voting Reports

Examples of Proxy Voting by Dimensional Fund Advisors and State Street Global Advisors are listed on the following page.

Proxy voting reports are extensive and for this reason are available either by emailing the Clerk to the Board at [dbarre@marincounty.org](mailto:dbarre@marincounty.org) or by viewing the Governance Committee October 7, 2020 meeting packet at [www.mcera.org](http://www.mcera.org) under Retirement Board, Agendas and Minutes.

C.2.a.1

**Dimensional Fund Advisory Proxy Votes January 1 - June 30, 2020 Compared to ISS and Glass Lewis Recommendations**

Company	SR No	Agenda Description	Management Recommendation	ISS Recommendation	Glass Lewis Recommendation	DFA Vote
Akebia Therapeutics, Inc	6	Advisory Vote on Say on Pay Frequency	One-Year	One Year	-	Three Years
American National Insurance Company	14	Advisory Vote on Say on Pay Frequency	One-Year	One Year	-	Three Years

**State Street Global Advisors Proxy Votes January 1 - June 30, 2020 Compared to ISS and Voting Policy Recommendations**

Company	SR No	Agenda Description	Management Recommendation	ISS Recommendation	Voting Policy Recommendation	SSGA Vote
Duke Energy Corporation	4	Require Independent Board Chairman	Against	For	Abstain	Abstain
Harley Davidson	2	Advisory Vote to Ratify Executive Compensation	For	Against	Abstain	Abstain



C.2.b

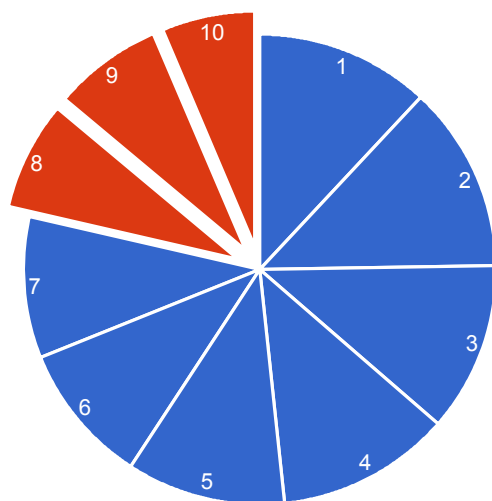
## Governance Risk Report

02-Jul-2020

Reporting Period: 01-Apr-2020 to 30-Jun-2020

- > Artisan Partners
- > DIMENSIONAL FUND ADVISORS INC.
- > Morgan Stanley Investment Management- New York #132
- > PARAMETRIC PORTFOLIO ASSOC
- > State Street Global Advisors
- > TimesSquare Capital Management, LLC

Portfolio Risk by ISS Governance QualityScore



**21%**<sup>2</sup> of the companies within your portfolio that held meetings during the reporting period are high risk, falling within the ISS Governance QualityScore range of **10** through **8**.

### Largest Portfolio Positions with High Governance Risk

The table below highlights the top 15 largest positions for those companies deemed high-risk, as indicated by an ISS Governance QualityScore between 8 and 10. Companies are only shown if they held a meeting during the reporting period.

Company	Ticker	Position Value (USD) <sup>1</sup>	ISS Governance QualityScore	Board Structure Subscore	Compensation Subscore	Shareholder Rights Subscore	Audit Subscore
Alphabet Inc.	GOOGL	61.4 M	10	5	10	10	2
British American Tobacco plc	BATS	40.9 M	8	5	10	1	1
Constellation Software Inc.	CSU	36.4 M	9	10	8	7	1
Prudential Plc	PRU	29.2 M	8	2	5	1	10
Wuliangye Yibin Co., Ltd.	000858	21.4 M	8	6	7	6	3
LVMH Moet Hennessy Louis Vuitton SE	MC	20.3 M	9	9	9	6	1
Thales SA	HO	17.7 M	8	9	4	10	1
Facebook, Inc.	FB	14.4 M	10	5	10	10	5
Mowi ASA	MOWI	13.3 M	9	9	4	1	10
Berkshire Hathaway Inc.	BRK.B	12.7 M	10	10	9	10	1
China Petroleum & Chemical Corp.	386	10.2 M	8	4	6	10	2
M&G Plc	MNG	6.6 M	9	5	1	1	10
Intel Corporation	INTC	5.3 M	9	7	10	2	1
Sugi Holdings Co., Ltd.	7649	4.8 M	8	2	8	10	5
ABC-MART, INC.	2670	4.3 M	8	5	8	6	1

ISS Governance QualityScore is a data driven scoring and screening solution designed to identify governance risk within companies. ISS Governance QualityScore is derived from publicly disclosed data on the company's governance practices. Scores indicate decile rank relevant to index or region. For more information on ISS Governance QualityScore, visit <https://www.issgovernance.com/solutions/iss-analytics/qualityscore/>.

<sup>1</sup>Values are based on shares held on record date for the company's most recently held meeting during the reporting period. Please contact your ISS Client Service Team with any questions related to how this value is calculated.

<sup>2</sup>Percentages based on the universe of holdings within the ISS Governance QualityScore coverage universe.



Investment Manager Summary

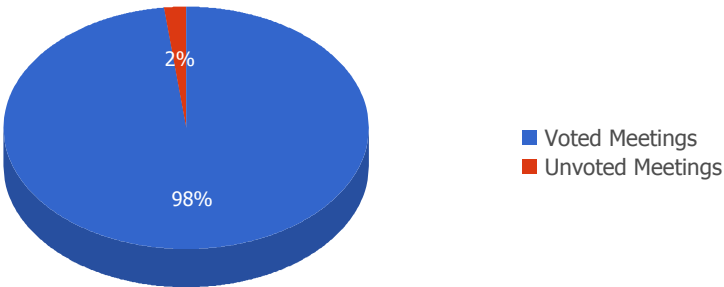
Investment Manager	% Meetings Voted	% of Companies with ISS Governance QualityScore of 8, 9 or 10 <sup>1</sup>	% of Votes Cast Against Management	% of Votes Cast Against ISS Benchmark Policy	% of Votes Cast Against Public Fund Policy
Artisan Partners	93%	8%	6%	5%	12%
DIMENSIONAL FUND ADVISORS INC.	98%	18%	12%	5%	34%
Morgan Stanley Investment Management- New York #132	98%	18%	7%	6%	9%
PARAMETRIC PORTFOLIO ASSOC	97%	30%	17%	5%	0%
State Street Global Advisors	100%	28%	9%	10%	36%
TimesSquare Capital Management, LLC	100%	22%	6%	5%	9%
TOTALS	98%	21%	13%	6%	20%

<sup>1</sup>Percentages based on the universe of holdings within the ISS Governance QualityScore coverage universe.

Meeting Overview

Category	Number
Votable Meetings	2,367
Meetings Voted	2,323
Proxy Contests Voted	4
Meetings with Against Management Votes	1,246
Meetings with Against ISS Votes	754

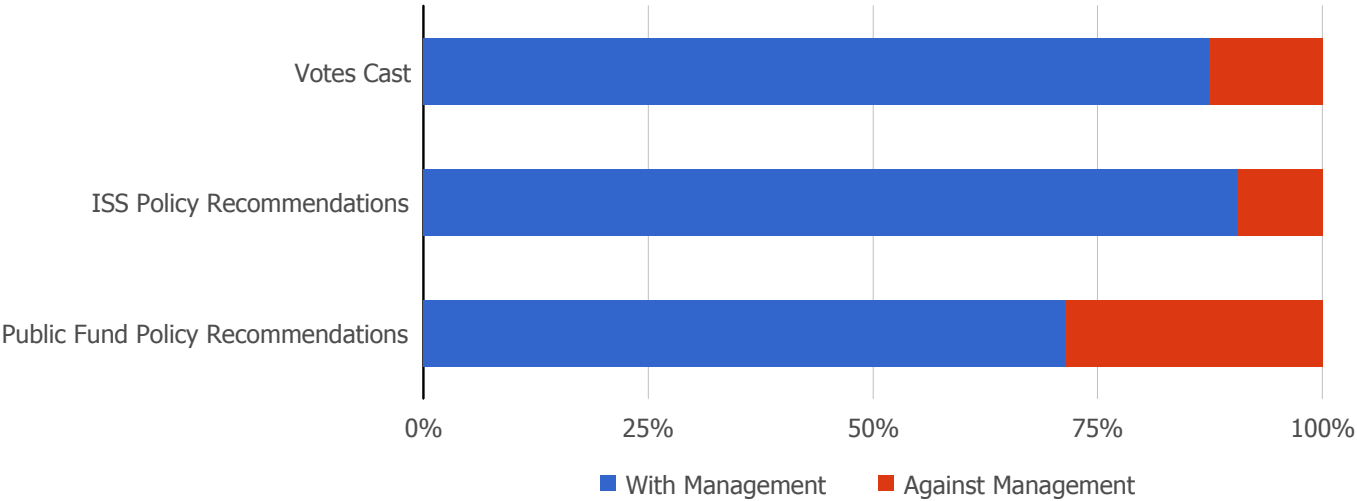
Comparison of Meetings Voted



With 2,367 meetings available to vote during the period, 2,323 were voted, equating to approximately 98% of the votable meetings with close to 2% unvoted.

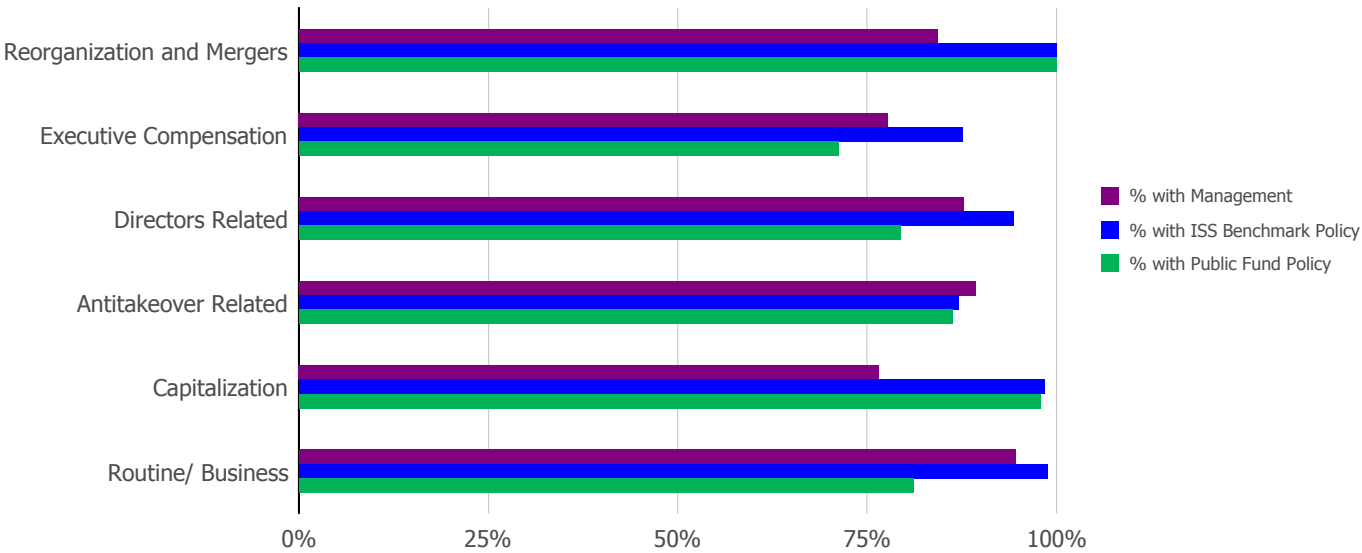
Alignment with Management

- > Comparing vote alignment with management recommendations highlights similarities and differences between investment managers’ governance philosophies and companies’ approach to key corporate governance issues.
- > The votes cast on ballots during the reporting period are aligned with management recommendations in 87% of cases, while the ISS Benchmark Policy recommendations are at 90%.
- > The recommendations of the specialized policy selected as referenced, the Public Fund policy, follow management recommendations for 71% of proposals.



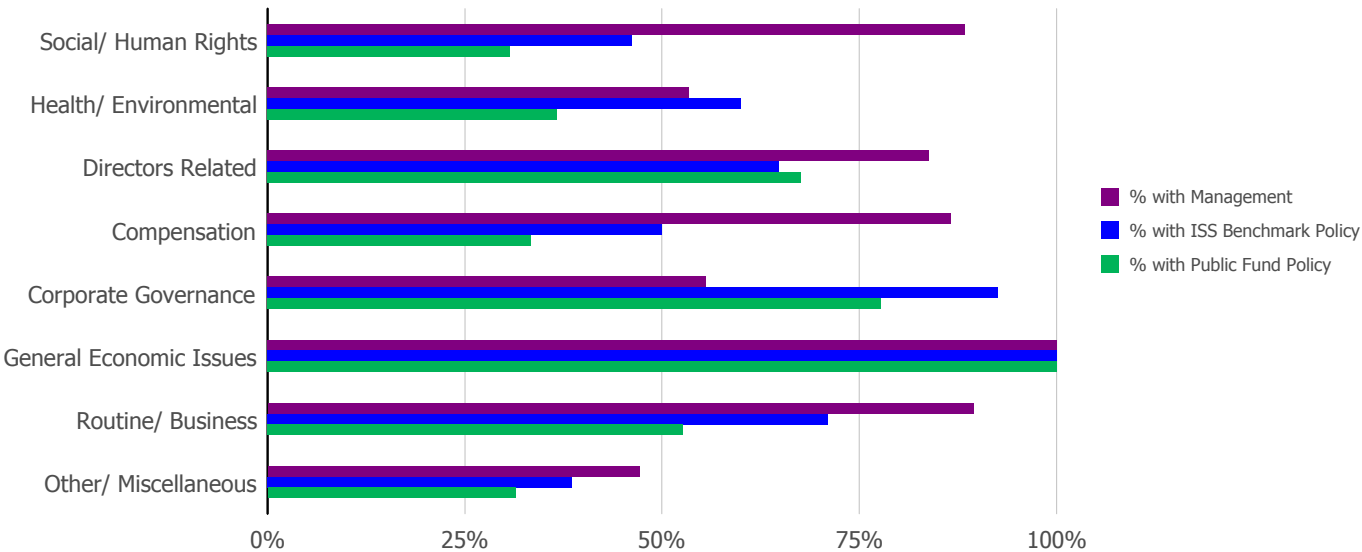
Votes Cast on Management Proposal Categories

- › The breakdown of proposals into the major proposal categories and the comparison of votes cast to management recommendations, ISS Benchmark Policy recommendations and the recommendations of the selected specialized policy, the Public Fund Policy, provide insight into the positioning of votes cast on proposals submitted by management against these benchmarks.
- › Votes cast during the reporting period were least in line with management on Social Proposal matters, where only 20% of votes followed management recommendations.
- › Across categories, votes cast on management proposals show the closest alignment to the ISS Benchmark Policy guidelines.



Votes Cast on Shareholder Proposal Categories

- › Votes cast on shareholder proposals, in opposition to management, reflect support for proposals submitted by shareholders.
- › During the reporting period, has shown the highest level of support for shareholder proposals related to Other/ Miscellaneous, at 56% and the lowest level of support for shareholder proposals related to General Economic Issues, with 0% of proposals supported in this category.
- › Across categories, votes cast on shareholder proposals show the closest alignment to the ISS Benchmark Policy guidelines.



## Contested Meetings Overview

Company	Ticker	ISS Governance QualityScore	Meeting Date	Position Value (USD)*	ISS Recommended Slate	Slate Voted	Key Takeaways
GCP Applied Technologies Inc.	GCP	4	28-May-2020	143,656.1	Dissident	Dissident	<p>&gt; Starboard Value, a 9.0 percent shareholder that appointed two directors to the board as part of a settlement last year, is presently nominating eight directors (including its two original nominees) to the 10-member board.</p> <p>&gt; 40 North Management, the company's largest shareholder (24.4 percent of shares), has publicly indicated that it would support Starboard's proposed slate.</p> <p>&gt; The dissident has presented a compelling case that the addition of its two nominees to the board last year was not sufficient to effect the level of change needed. Providing the dissident with a majority of seats appears to be necessary to ensure that its nominees will be able to assess potential missteps by the incumbent board and properly oversee a revised turnaround plan. As such, shareholders are recommended to vote FOR dissident nominees Brown, Feld, Kiefaber, Ogilvie, Welty, and Yanker on the dissident's WHITE proxy card.</p>
TEGNA, Inc.	TGNA	3	30-Apr-2020	89,609.4	Dissident	Dissident	<p>&gt; Standard General L.P., an 11.8 percent shareholder, seeks to replace four of Tegna's 12 directors.</p> <p>&gt; The dissident has criticized the company for poor shareholder returns, underperforming peers despite having superior assets, failing to respond with sufficient alacrity to an acquisition proposal, flawed shareholder communications, excessive CEO compensation, a board composition that does not include necessary skills and experience, refinancing debt to make a sale less attractive, and numerous operational issues. Of these points, the key change that appears necessary is confirming the board's openness to negotiating with potential bidders. As such, votes are warranted on the WHITE card for dissident nominee Colleen Brown, who seems well suited to provide such oversight and contribute her experience with local broadcasting.</p> <p>&gt; While there are some concerns related to the company's pay program, specifically the discretionary nature of the annual incentive program, and lack of goal disclosure in the long-term incentive program, CEO pay and company performance show alignment at this time.</p>
First United Corporation	FUNC	6	11-Jun-2020	20,722.7	Management	Management	<p>&gt; Driver Management Company, a 5.3 percent shareholder, is seeking to replace three of the four directors standing for re-election at this meeting.</p> <p>&gt; The dissident has not made a sufficiently compelling case that immediate change is needed at FUNC, given TSR and operational outperformance under the current CEO. However, this contest has highlighted a subpar governance regime underscored by a refreshment</p>





							<p>process that has moved too slowly. These factors, along with the company's apparent attempts to disenfranchise the dissident from voting, suggest that shareholders would be well served by signaling their expectation that the board oversee more rapid improvements in the company's governance.</p> <p>&gt; As a way to encourage the board to sharpen its focus on governance improvements, and perhaps consider a more expedient refreshment process, shareholders are recommended to WITHHOLD votes for lead independent director John McCullough, who also serves as chair of the nominating and governance committee.</p>
Synalloy Corporation	SYNL	3	30-Jun-2020	7,817.7	Management	Management	<p>Privet Fund LP and UPG Enterprises formed a group that owns 24.9 percent of shares and are nominating five directors to the eight-member board. The dissidents make a compelling case for additional shareholder representation on the board so that their suggestions can be assured a fair evaluation. Shareholders are recommended to vote for dissident nominees Hutter and Rosenzweig on the dissident (white) proxy card.</p>

\*Values are based on shares held on record date for the company's meeting held during the reporting period. Please contact your ISS Client Service Team with any questions related to how this value is calculated.

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**Investment Policy Statement  
For**

**Marin County Employees' Retirement Association**

Mcera



**FINAL DRAFT**  
**October ~~June~~ 2020**

**MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**INVESTMENT POLICY STATEMENT**

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Appendix B	Individual Manager Guidelines
Appendix C	Individual Private Equity Sponsor Guidelines
Appendix D	Placement Agent Payment Disclosure Policy

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### **INTRODUCTION**

The Marin County Employees' Retirement Association ("MCERA") was established to provide retirement benefits to county employees and other local public agencies. The Board of Retirement (the "Board" and/or the "Board of Retirement") is comprised of the County Director of Finance, four members appointed by the County Board of Supervisors, four members elected by the membership, plus one alternate retiree and one alternate safety member.

MCERA was organized in accordance with the provisions of California's 1937 County Employees' Retirement Law ("1937 Act"). The powers and duties of the Board of Retirement are set forth in the 1937 Act and in Article XVI, section 17, of the State Constitution. This document provides a framework for the management of the assets of MCERA. The purpose of the Investment Policy is to assist the Board in effectively supervising and monitoring the assets of MCERA (the "Plan" or the "Fund"). Specifically, it will address the following issues:

- The general goals of the investment program;
- The policies and procedures for the management of the investments;
- Specific asset allocations, rebalancing procedures and investment guidelines;
- Performance objectives; and
- Responsible parties.

The Board of Retirement establishes this investment policy in accordance with applicable local, State, and Federal laws. The Board members exercise authority and control over the Plan, by setting policy which the Staff executes either internally or through the use of external prudent experts. The Board oversees and guides the Plan subject to the following basic fiduciary responsibilities:

- Solely in the interest of, and for the exclusive purpose of, providing benefits to participants and their beneficiaries, minimizing contributions thereto, and defraying reasonable expenses of administering the Plan.
- Invest and manage Fund assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the Fund. In satisfying this standard of care, the trustees shall exercise reasonable care, skill, and caution.
- Diversify the investments of the Plan so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so. Diversification is applicable to the deployment of the assets as a whole.

This policy statement is designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while setting forth reasonable parameters to ensure prudence and care in the execution of the investment program.

### **POLICIES AND PROCEDURES**

The policies and procedures of MCERA's investment program are designed to maximize the probability that the investment goals will be fulfilled. Investment policies will evolve as fund conditions change and as investment conditions warrant.

#### *Asset Allocation Policy*

MCERA adopts and implements an asset allocation policy that is predicated on a number of factors, including:

- A projection of actuarial assets, liabilities and benefit payments and the cost of contributions;
- Historical and expected long-term capital market risk and return behavior;
- An assessment of future economic conditions, including inflation and interest rate levels; and
- The current and projected funding status of the Plan.

This policy provides for diversification of assets in an effort to maximize the investment return of the Plan consistent with market conditions. Asset allocation modeling identifies asset classes the Plan will utilize and the percentage that each class represents of the total fund. Due to the fluctuation of market values, positioning within a specified range is acceptable and constitutes compliance with the policy. It is anticipated that an extended period of time may be required to fully implement the asset allocation policy, and that periodic revisions will occur. MCERA's Staff and external consultants will monitor and assess the actual asset allocation versus policy and will evaluate any variation deemed significant.

The Board will implement the asset allocation policy (i) through the use of investment managers to invest the assets of MCERA in accordance with the investment guidelines incorporated into the investment management agreements executed with the Board and/or (ii) through its investment in limited liability partnerships, limited liability corporations, commingled funds, group trusts or other commonly used investment vehicles, which invest allocated assets in accordance with the governing documents for the investment vehicle. When appropriate, passive management strategies may also be utilized.

### **INVESTMENT GOAL STATEMENT**

The Plan's general investment goals are broad in nature. The objective shall be to efficiently allocate and manage the assets dedicated to the payment of Plan benefits and administrative expenses. The following goals, consistent with the above described purpose, are adopted:

- The overall goal of MCERA's investments is to provide Plan participants with retirement, disability, and death and survivor benefits as provided for under the County Employees' Retirement Law of 1937. This will be accomplished through a carefully planned and executed long-term investment program.
- MCERA's assets will be managed on a total return basis. While MCERA recognizes the importance of the preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns.
- The total portfolio over the long term will be expected to:
  1. Meet or exceed a long-term total portfolio real (above inflation) return commensurate with the target asset allocation contained in Appendix A to this document (annualized, net of fees, over a full market cycle, normally defined as 5-7 years);
  2. Meet or exceed the assumed actuarial rate of return over long term periods; and
  3. Meet or exceed a weighted index of the total Plan's asset allocation policy and component benchmarks over rolling five-year periods by an appropriate amount (annualized, net of fees, over a full market cycle).
- MCERA's Investment Policy has been designed to produce a total portfolio, long-term real return. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification to meet this goal. The investment activities are designed and executed in a manner that serves the best interests of the members and beneficiaries of the Association.
- All transactions undertaken will be for the sole benefit of MCERA's members and beneficiaries and for the exclusive purpose of providing benefits to them, minimizing contributions to the Plan and defraying reasonable associated administrative expenses.
- MCERA has a long-term investment horizon, and utilizes an asset allocation plan that encompasses a strategic, long-run perspective of capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the Plan's investment performance.

Investment recommendations and subsequent actions are expected to comply with "prudent expert" standards. Board members are expected to comply with "prudent investor" standards.

### **Manager Utilization and Selection**

The selection of investment managers is accomplished in accordance with all applicable local, State and Federal laws and regulations. Each investment manager and consultant functions under a formal contract which delineates responsibilities and appropriate performance expectations. A formal set of investment guidelines and investment administrative requirements for each investment manager has been established and is provided as an addendum to this document. With regard to investment in limited liability partnerships, limited liability corporations, commingled funds, group trusts or other commonly used investment vehicles, the management of the relevant investment vehicle and the investment guidelines will be as set forth in the fund's legal documentation.

### **Manager Authority**

The Plan's investment managers, unless otherwise noted in their contract, shall have designated discretion to direct and manage the investment and reinvestment of assets allocated to their accounts in accordance with this document; applicable local, State and Federal statutes and regulations; and individual management investment plans and executed contracts. Commingled investments, including but not limited to investments in mutual funds, trusts, limited liability partnerships, limited liability corporations, group trusts or other commonly used investment vehicles are expected to comply with the guidelines established in the governing documents or fund prospectus.

The Board and Staff will consider the comments and recommendations of consultants in conjunction with other available information in making informed, prudent decisions.

### **Proxy Voting**

MCERA acknowledges that the ownership of equities requires proxies to be voted. MCERA commits to managing its proxy voting rights with the same care, skill, diligence and prudence as is exercised in managing its other assets. As responsible fiduciaries, the Board of Retirement will exercise its proxy voting rights in the sole interest of the Plan's members and beneficiaries in accordance with all applicable statutes and as further set forth in MCERA's Proxy Voting and Corporate Governance Policy which is —posted on MCERA's Web site ( [www.mcera.org](http://www.mcera.org) ). MCERA hopes corporate boards will adhere to these policies and adopt similarly appropriate additional policies to best protect shareholders' interests. Consequently, Consistent with the Proxy Voting and Corporate Governance Policy, the following outlines MCERA's expectations with respect to voting proxies~~the following policies and procedures shall be utilized in the determination of voting shareholder proxies:~~

- Proxy voting may be performed by staff, contracted to a third-party vendor, or delegated to the investment manager in accordance with MCERA's Proxy Voting and Corporate Governance Policy.
- Where voting has been delegated to an investment manager, All~~MCERA's equity investment managers~~ proxies shall be voted by the managers' respective policies on



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proxy voting ~~and~~ in the best interest of the shareholders and where possible in alignment with MCERA's proxy voting guidelines. The investment managers will provide a copy of their proxy voting guidelines to MCERA annually.

- For proxy proposals that are deemed by MCERA to merit review, MCERA may temporarily revoke an investment manager's proxy voting authority in writing. After MCERA has voted on the proxy, proxy voting responsibilities may be delegated (in writing) to the investment manager.
- The investment managers are required to report not less often than semi-annually on all proxy votes cast on MCERA's behalf, which will be reported to the MCERA Governance Committee.
- A record of said proxy votes shall be maintained in the Retirement Office.

### **Securities Lending**

The Board may authorize the execution of a "Securities Lending Program" which will be performed by the Plan custodian or qualified third-party securities lending agent(s). The program will be established by a written agreement authorized by the Board and monitored and reviewed by the Staff.

The following are the general guidelines for the securities lending program:

1. The lending program may be implemented through the use of agent lenders or principal lenders;
2. The lenders may lend financial securities including, but not limited to, U.S. and non-U.S. equities, corporate bonds, and U.S. and non-U.S. government securities;
3. If an agent program is implemented, the agent shall have full discretion over the selection of borrowers and shall continually review the creditworthiness of potential borrowers through extensive analysis of relevant information;
4. All loans shall be fully collateralized with cash, government securities or irrevocable bank letters of credit;
5. Cash collateral received from securities borrowers will be deposited upon receipt in a pre-approved short-term investment vehicle or vehicles;
6. Loans of U.S. securities are initially collateralized at 102% of the market value of the borrowed securities if the borrowed securities and the collateral are denominated in the same currency and at 105% if the borrowed securities and the collateral are denominated in different currencies. As the market value of the collateral falls below 102% (105%) of the market value of the borrowed securities, the borrower is marked to market each business day using yesterday's closing prices, subject to the lending agent's de minimis rules of change;
7. Securities on loan should be marked-to-market on a daily basis to assess adequacy of collateralization;
8. The lender shall provide periodic performance reports to MCERA;
9. The securities lending program should in no way inhibit the portfolio management activities of the other investment managers of the system;

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10. Staff shall be responsible for making an annual report to the Board on securities lending activity; and
11. All other operational aspects of MCERA's securities lending program are hereby delegated to Staff.

### **Derivatives and Leverage**

MCERA's investment managers may be permitted under the terms of individual investment guidelines to use derivative instruments to implement market decisions and security positions and to control portfolio risk. Derivatives are contracts or securities whose returns are derived from the returns of other securities, indices or instruments including, but not limited to, futures, forwards, options, swaps and options on futures. Examples of appropriate applications of derivative strategies include hedging interest rate and currency risk, rebalancing portfolio exposures, securitizing fund level and manager cash, maintaining exposure to a desired asset class while effecting asset allocation changes and adjusting portfolio duration for fixed income. Portfolio liabilities associated with investments (i.e. mortgage forward bond purchases, futures, in-the-money short puts, reverse repurchase agreements, etc.) shall be backed by cash equivalents or deliverable securities.

MCERA's investment managers are not allowed to utilize derivatives for speculative purposes. All derivatives must be backed by collateral in the form of deliverable securities equal to or greater than the value of the total derivative exposure. In no circumstances can individual managers borrow funds to purchase derivatives. No derivatives positions can be established that create portfolio characteristics outside of portfolio guidelines. Managers must ascertain and carefully monitor the creditworthiness of any third parties involved in derivative transactions.

### **Rebalancing**

Staff shall, on an ongoing basis in accordance with market fluctuations, rebalance the Fund's portfolio so as to remain within the range of targeted allocations and distributions among investment managers and asset allocations. MCERA has a long-term investment horizon and utilizes an asset allocation plan that encompasses a strategic, long-run perspective of capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the Plan's investment performance.

MCERA will not attempt to time rises or falls in equity or bond markets by moving away from long-term targets.

Systematic rebalancing, implemented when the asset classes move outside their target ranges or when significant cash flows occur, will be used to maintain or to move asset allocations within these appropriate ranges.

### **GENERAL INVESTMENT OBJECTIVES AND GUIDELINES**

#### **Equity Portfolios**

Each equity investment manager retained by MCERA will follow a specific investment style and will be evaluated against a specific market index that represents their investment style. In addition, in the case of active managers, investment results may also be compared to returns of a peer group of managers with similar styles. Benchmarks for the various equity portfolios may include the following indices as well as those proposed by the managers reviewed by the Staff and approved by the Board:

##### **Domestic Equity Portfolio – Russell 3000 Index**

*Large Cap Stocks – S&P 500 Index*

*Small Cap Stocks – Russell 2000 Index*

##### **International Equity Portfolio – MSCI ACWI ex-US IMI Index**

*International Large Cap Stocks – MSCI EAFE Index*

*International Small Cap Stocks – MSCI EAFE Small Cap Index*

*International Emerging Markets Stocks – MSCI Emerging Markets Free Index*

General equity guidelines for active managers include the following:

- American Depositary Receipts (ADRs) and foreign securities listed on a major US stock exchange or on the NASDAQ are permitted if specified in the manager's guidelines.
- Convertible securities may be held in equity portfolios and shall be considered equity holdings.
- Securities must be traded on a regulated stock exchange, or listed on the NASDAQ or a comparable foreign market operation.
- Forward or futures contracts for foreign currencies may be entered into for hedging purposes or pending the selection and purchase of suitable investments in, or the settlement of, any such securities transactions only in international equity portfolios.
- The following transactions are not permitted unless specifically authorized by the Board in the investment manager agreement or in the specific manager guidelines in the appendix:
  - The use of borrowed funds
  - Short sales or margin sales
  - Private placements (except 144As)
  - Futures, options, currency forwards and futures, and other derivative securities.

### **Fixed Income Portfolios**

The fixed income portfolios will be managed on a total return basis, following specific investment styles and evaluated against specific market indices that represent a specific investment style or market segment. In addition, investment results may also be compared to returns of a peer group of managers investing with a similar style. The benchmarks for the various fixed income portfolios may include the following indices:

**Fixed Income Portfolio – Blended Benchmark (50% Bloomberg Barclays U.S. Aggregate, 25% Bloomberg Barclays Intermediate Credit, 25% FTSE World Government Bond Index USD Unhedged)**

*U.S. Core Plus Fixed Income – Bloomberg Barclays U.S. Aggregate Bond Index*

*U.S. Intermediate Credit Fixed Income – Bloomberg Barclays U.S. Intermediate Credit Index*

*Global Fixed Income – FTSE World Government Bond Index (USD Unhedged)*

General fixed income guidelines include the following:

- Unless specified in the manager's guidelines, the minimum average quality rating of the securities in any portfolio will maintain an average weighted credit quality of not more than 2 rating notches below the benchmark's average weighted credit quality, at all times. For the avoidance of doubt, if the benchmark is rated AA-, then 2 notches below would be A.
- Ratings method: The ratings method used to test both the benchmark's average credit rating and the portfolio's average credit rating will be "split to the highest rating" of the three major rating agencies.
- Derivatives, including forward or futures contracts for foreign currencies, may be used to hedge the portfolio, or to effect portfolio management decisions in a timely, cost-effective manner. Borrowed funds shall not be used.
- An individual investment manager's portfolio shall have an effective duration between 75% - 125% of the effective duration of the appropriate index, unless a broader range is permitted with the specific manager guidelines in the Appendix.
- The following transactions are prohibited unless specifically authorized by the Board or by the specific manager guidelines in the Appendix:
  - Private placements (except 144As);
  - Interest Only CMOs, Principal Only CMOs, inverse floaters and any tranche that has a leveraged component embedded in the structure.

### **Real Estate Portfolios**

The Real Estate portfolios will be managed on a total return basis, through a combination of income and appreciation, following specific investment styles and evaluated against a specific market index. In addition, investment results may also be compared to returns of a peer group of managers investing with a similar style. The benchmarks for the various Real Estate portfolios may include the following indices:

#### **Real Estate Portfolio – NFI-ODCE Equal Weighted Index (Net)**

*Core Real Estate – NFI-ODCE Equal Weighted Index (Net)*

- All investments in real estate shall be managed by external advisors.
- MCERA may invest in real estate through diversified institutional commingled vehicles. The vehicles can be limited liability partnerships, limited liability corporations, group trusts or other commonly used investment vehicles.
- The vehicle's manager(s) will have discretion with respect to the management of the fund's investment program, operating within the parameters delineated in the fund's legal documentation.

### **Real Assets Portfolio**

The real assets portfolio will be managed on a total return basis, following specific investment styles and evaluated against specific market indices that represent a specific investment style or market segment. In addition, investment results may also be compared to returns of a peer group of managers investing with a similar style. The benchmarks for the various real assets portfolios may include the following indices:

#### **Real Assets Portfolio – Blended Benchmark (25% Bloomberg Barclays US TIPS Index, 25% Bloomberg Commodities Index, 25% S&P Global Natural Resources Index, 25% Dow Jones US Select Real Estate Securities Index)**

*Treasury Inflation Protected Securities – Bloomberg Barclays US TIPS Index*

*Commodities – Bloomberg Commodities Index*

*Global Natural Resources Equity – S&P Global Natural Resources Index*

*Real Estate Investment Trusts – Dow Jones US Select Real Estate Securities Index*

- MCERA may invest in real assets through separate accounts or diversified institutional commingled vehicles.
- The vehicle's manager(s) will have discretion with respect to the management of the fund's investment program, operating within the parameters delineated in the fund's legal documentation.

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- The investment objective of the real asset program is to create a portfolio of high-quality real asset investments that will enhance long-term investment performance, meet inflation objectives, and diversify the asset base for the entire MCERA investment portfolio.

### **Private Equity Portfolios**

MCERA will invest in private equity through institutional closed-end, finite-life commingled private equity fund-of-funds vehicles. The fund-of-funds vehicles will be limited liability partnerships, limited liability corporations, group trusts or other commonly used investment vehicles.

- Private equity investments will consist primarily of limited partnership investments in diversified private equity portfolios (e.g., venture capital, acquisition, special situation, subordinated debt, restructuring funds, and others).
- The vehicle's manager(s) will have discretion with respect to the management of the fund-of-funds investment program, operating within the parameters delineated in the investment vehicle's legal documents.
- The investment objective of the private equity allocation is to achieve consistent positive real returns and to maximize long-term total return net of fees within prudent levels of risk through capital appreciation and diversification.
- While the investment guidelines of each investment vehicle will be determined by the fund-of-funds legal documentation, the fund's manager, in managing the portfolio, should take prudent care.

### **Short Term Investment/Cash Equivalents**

MCERA is restricted from investing short term funds and cash equivalents in investment vehicles other than the Treasurer's Pool, the State Pool and the STIF funds maintained at the custodian bank. Retirement funds shall be invested in investments with an average maturity of one year or less.

Any exemption from these general guidelines requires prior written approval from the Board.

### **Policy Implementation Overlay**

The Board may retain a "policy overlay manager" to rebalance portfolio exposures, bridge exposure gaps during transitions, 'securitize' fund level cash, and securitize residual cash positions held by each manager. The policy overlay manager may use futures or swaps, when appropriate, to gain market exposure on existing cash positions. The manager will not use futures or other derivative instruments for speculative purposes.

### **INVESTMENT MANAGEMENT POLICY**

MCERA will utilize externally managed portfolios based on specific styles and methodologies. The manager will acknowledge in writing, as more particularly set forth in Appendix B, that they are fiduciaries to MCERA with respect to the assets they manage and/or invest on MCERA's behalf, and will have discretion and authority to determine investment strategy, security selection and timing within their asset class and subject to the Policy guidelines and any other guidelines specific to their portfolio. Performance of the portfolio will be monitored and evaluated on a regular basis relative to each portfolio component's benchmark return and relative to peer groups of managers with similar investment styles.

Investment managers, as prudent experts, will be expected to know MCERA's investment policies (as outlined in this document) and any specific guidelines for their portfolios, and to comply with those policies and guidelines. It is each manager's responsibility to identify policies that may have an adverse impact on performance, and to initiate discussion with Staff toward possible amendment to said policies through Board action. Additionally, and where applicable, investment managers will certify in writing each quarter their compliance with the guidelines as described in this document.

The Board and Staff will also review each investment manager's adherence to its investment policy, and any material changes in the manager's organization (e.g., personnel changes, new business developments, etc.). The investment managers retained by MCERA will be responsible for informing the Board and Staff of all such material changes on a timely basis.

Investment managers under contract with MCERA shall have discretion to establish and execute transactions with established regional and national securities broker/dealers as needed. Unless otherwise authorized by the Board, investment managers must obtain the best available prices and most favorable executions with respect to all of the portfolio transactions as market conditions permit.

Unless specifically authorized by the Board, the following transactions will be prohibited: short sales; selling on margin; "prohibited transactions" as defined under the Employee Retirement Income Security Act of 1974 (ERISA); transactions that involve a broker acting as a "principal", where such broker is also the investment manager who is making the transaction, and any or all investment activities forbidden by the SEC or other applicable governing bodies.

### **Selection Criteria for Investment Managers**

Criteria will be established for each manager search undertaken by MCERA, and will be tailored to MCERA's needs in such a search. In general, eligible managers will possess attributes including, but not limited to, the following:

- The firm must be experienced in managing money for institutional clients in the asset class/product category/investment style specified by MCERA.

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- The firm must display a record of stability in retaining and attracting qualified investment professionals, as well as a record of managing asset growth effectively, both in gaining and retaining clients.
- The firm must have an asset base sufficient to accommodate MCERA's portfolio. In general, managers should have at least \$100 million of discretionary institutional assets under management, and MCERA's portfolio should make up no more than 20% of the firm's total asset base. Exceptions shall be made on a case-by-case basis.
- The firm must demonstrate adherence to the investment style sought by MCERA, and adherence to the firm's stated investment discipline.
- The firm's fees should be competitive with industry standards for the product category.
- The firm must comply with the "Duties of the investment managers" outlined herein and conform to the CFA Institute standards for performance reporting.

### **Criteria for Investment Manager Termination and Watchlist**

MCERA reserves the unilateral right to terminate a manager at any time for any reason. The occurrence of certain events will result in specific actions being taken. This section describes these events, the course of action that will be taken and the responsible parties. It also establishes a "Watchlist" as a means of monitoring and evaluating managers who meet any of the items identified under the Criteria For Investment Manager Termination. If a manager is on the Watchlist no additional assets will be allocated to the manager until the manager has been removed from the Watchlist, provided however that if the Investment Committee determines, after review and discussion with staff and its Investment Consultant, that it is appropriate and in alignment with the other goals established under this policy to make additional funds to a manager on the Watchlist then the Committee can vote to direct the staff to take this action. The Investment Committee will determine where to invest any additional assets that would otherwise have been allocated to the manager. Each manager on the Watchlist will be monitored closely by Staff and the Consultant and may be required to make special presentations to the Board and Staff if requested. MCERA may place a manager on the Watchlist at any time and when it is deemed warranted due to improved conditions, a manager may be removed from the Watchlist.

*Illegal or Unethical Practice.* The manager will report this event in writing to the Retirement Administrator not later than the close of the business day following discovery of the illegal or unethical practice. The Retirement Administrator will inform the Investment Committee in writing of this practice as soon as administratively possible. If the illegal or unethical practice has a material adverse effect upon the MCERA portfolio, or any attempt was made by the manager to hide this practice, the manager will normally be terminated upon review and action by the Investment Committee. If the practice is procedural and has been properly referred to the appropriate regulatory authorities, the Retirement Administrator will recommend to the Investment Committee whether or not to terminate the manager.



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*Guideline Violation.* The manager will report any guideline violation in writing to the Retirement Administrator not later than the close of the second business day following discovery along with the manager's proposed remedy. If the violation results in a loss to MCERA, the manager will compensate MCERA for this loss. If the manager refuses to correct this violation, or if other violations occur, the Retirement Administrator may recommend termination of the manager to the Investment Committee. Guideline violations that have been corrected will be reported to the Investment Committee at their next regular meeting. Violations that have not been corrected, or violations that persist, will be reported to the Investment Committee as soon as administratively possible.

*Deviation from Investment Process.* If the Retirement Administrator determines that the manager has deviated materially from its stated investment process or philosophy, the Retirement Administrator will report to the Chair of the Investment Committee as soon as possible. The Retirement Administrator may also recommend termination of the manager, as soon as administratively possible, to the Investment Committee.

*Loss of Key Personnel or Change in Ownership.* The manager will inform the Retirement Administrator in writing within 24 hours following the loss of key personnel or a change in ownership. Loss of key personnel may result in termination of the manager. A material change in the ownership of the manager may result in the termination of the manager. The Retirement Administrator will make a recommendation regarding termination to the Investment Committee as soon as administratively possible.

*Lack of Cooperation with Reasonable Requests.* The manager is required to provide information, attend meetings and comply with other reasonable requests. Failure to do so may result in a recommendation to terminate the manager.

*Underperformance.* MCERA understands the cyclical nature of investment performance and the potential for its investment managers not to meet objectives over short-term periods. While it is not the Board's intention to terminate a manager for short-term underperformance relative to objectives, the Board has implemented the following process as a means of monitoring and evaluating managers that have experienced performance difficulties in the short-term to assess the impact on longer-term performance.

If a manager trails its relevant benchmark by more than 100 basis points (net of fees) and ranks in the bottom quartile of its peer universe (gross of fees ranking) for the trailing three years, or if a manager trails its relevant benchmark (net of fees) or ranks below median of its peer universe (gross of fees ranking) for the trailing five years, then the manager may be placed on the Watchlist.

If the underperformance of a manager on the Watchlist persists over a reasonable period in the future (as defined by the Staff, Board and Consultant based on the unique circumstances surrounding the manager and current market conditions), the Board may and will consider termination.

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### *Procedures Following the Initiation of Watch Status*

The watch period will be established for a one-year total duration.

If at the end of the watch period, performance has improved to above-benchmark and/or above the manager median over a market cycle, the manager will be removed from the Watchlist.

If at the end of the watch period, the manager is underperforming the manager may be terminated or remain on the Watchlist for a period defined by the Investment Committee.

Unlike open-end funds and separate accounts for public market securities which are more easily liquidated, exiting open-end or closed-end commingled funds for private markets may have liquidity constraints. For these reasons, the Watchlist and terminating procedures used for traditional public market vehicles are not applicable for private market vehicles. Staff with the assistance of the Investment Consultant will make appropriate recommendations for exiting such positions.

### **PRIVATE EQUITY POLICY**

MCERA's private equity investments allocation will consist primarily of limited partnership investments in diversified private equity portfolios (e.g., venture capital, acquisition, special situation, subordinated debt, and restructuring funds and others). MCERA will invest in private equity through institutional closed-end, finite-life commingled private equity fund-of-funds vehicles. The fund-of-funds vehicles will be limited liability partnerships, limited liability corporations, group trusts or other commonly used investment vehicles. Investments directly in stand-alone corporate finance limited partnerships and direct investments in companies are not currently considered appropriate. The vehicle's manager(s) will have discretion with respect to the management of the fund-of-funds investment program, operating within the parameters delineated in the fund's legal documentation. The investment manager of the fund-of-funds will acknowledge in writing by side letter or otherwise that they are Plan fiduciaries and will acknowledge having read and understood the guidelines set forth in this section of the Investment Policy Statement and any other guidelines specific to their portfolio as more particularly set forth in Appendix C.

To maintain an appropriate funded status on a net asset value basis, MCERA may be required to make periodic commitments to additional fund-of-funds vehicles managed by either the same or different fund-of-funds managers. MCERA's staff will work with the investment consultant and the managers to determine appropriate commitment timing and amounts and present a recommended plan to the Board annually.

To ensure adequate access and diversification, MCERA may utilize multiple fund-of-funds providers. There is no specific limit on the number of vendors to be utilized. However, to avoid unnecessary administrative burdens, MCERA will limit the number of vendors employed to the extent practical. Only those firms committed to providing ongoing access to the private equity arena through fund-of-funds offerings, who have a demonstrated record of investing client funds in top tier private equity partnerships and who limit assets accepted for management to sums that can in fact be committed in top tier funds will be considered.

MCERA recognizes that many well-qualified fund-of-funds providers make direct private equity investments within the fund-of-funds vehicle. Such investments are permissible provided that they constitute a comparatively small portion of the total fund-of-funds' asset base (typically less than 20%).

#### **Investment Objectives**

The investment objective of the private equity allocation is to achieve consistent positive real returns and to maximize long-term total return within prudent levels of risk through capital appreciation and diversification. MCERA's holdings will be professionally managed on a cash-to-cash basis and will have broad exposure to key private corporate finance strategies (e.g., venture capital, acquisition, special situation, etc.), with allocations to the various strategies diversified in a manner consistent with institutional private equity programs generally.

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### Selection Criteria for Private Equity

#### Partnership Selection

As requested by MCERA, the investment consultant shall develop a proposed “Manager Candidate Profile” that will serve as the basis for evaluation of potential fund-of-funds providers consistent with MCERA’s investment policy. This document will specify the minimum selection criteria for potential vendors and also detail preferred characteristics. The consultant will then evaluate prospective candidates and submit a listing of those firms that appear to best meet the requirements and preferences. Staff and consultant will discuss these candidates and identify those that should be advanced for Committee and/or Board consideration. Ultimately, the Board will determine which firms shall be retained.

The targeted private equity investments will be fund-of-funds vehicles that are commingled, closed-end, and finite-life limited liability entities.

Due to the inevitability of short-term market fluctuations that may cause variations in the investment performance, it is intended that the performance objectives outlined below will be achieved by the fund-of-funds over the life of the vehicle(s), generally 12 years. The Board of Retirement will evaluate the funds’ interim performance to test progress toward attainment of these longer-term goals. However, it is understood that there are likely to be short-term periods during which performance will deviate from expectations. Minimum expectations are as follows:

- It is expected that the private equity program will, over rolling 5-year periods, provide net of fee returns in excess of those available in the public markets. The nominal return target for the private equity program is a 12% internal rate of return (IRR) or dollar-weighted net of all fees and expenses. The rate of return for the fund-of-funds will also be calculated on a time-weighted basis.
- The fund’s IRR performance will also be benchmarked against peer groups in the Thomson-Cambridge (All Regions) All Private Equity Database. These return comparisons will be net of underlying partnership fees and expenses, but gross of the fund-of-funds’ fees and expenses. It is expected that the vehicles will attain performance rankings consistent with the top-quartile levels of return evidenced in the database.

Attainment of these objectives does not guarantee future investment by the Board in a specific manager’s fund-of-funds vehicles, nor does failure to achieve these guidelines ensure a lack of future investment support for follow-on vehicles. Providers are selected at the discretion of the Board.

In addition, the following stipulation(s) apply:

- The Fund’s assets invested in the fund-of-funds vehicle should not represent more than 20% of the total market value of the fund-of-funds. It is also preferred that this holds true for any other investor in these fund-of-funds. Should MCERA utilize a single client fund-

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of-funds approach (i.e., a “fund-of-one” where MCERA represents 100% of the vehicle’s capitalization) the targeted commitment level should not exceed 20% of the managing/controlling entity’s total discretionary assets under management.

- The investment manager of the fund-of-funds vehicle shall be a Bank or a registered investment advisor under the Investment Advisors Act of 1940 (1940 Act).
- If the fund-of-funds vehicle provides distributions in cash or securities, the Fund will opt to receive cash.

### Reporting Requirements

Reporting requirements will be governed by the fund-of-funds legal documentation, which at a minimum will provide for quarterly unaudited financial statement and other relevant investment holdings related exhibits, and annual audited financial statements and relevant investment holdings-related exhibits.

It is expected that the fund-of-funds investment managers will meet with the Board as reasonably requested and at least annually.

### Coordination with Total Fund Performance Reporting

MCERA relies on its custodian to generate short-term time-weighted performance statistics. This information is utilized by the Fund’s investment consultant to evaluate ongoing investment performance. An integral part of the performance evaluation is a comparison of the total Fund’s return in relation to a policy benchmark index comprised of market indices weighted in the same manner as the Fund’s strategic asset allocation policy.

Given the private market nature of private equity investments and the long lead-time associated with such investments, a public market equity index shall be used in lieu of the absolute return target index set forth in Appendix A for the private equity component of the total portfolio. The index used shall be a composite of the equity component of MCERA’s total policy benchmark: 60% Russell 3000 and 40% MSCI ACWI ex-US IMI.

### **DUTIES OF RESPONSIBLE PARTIES**

#### **Duties of the MCERA Board of Retirement**

The Board of Retirement has the responsibility for administration of MCERA for the benefit of plan participants. The County Employees' Retirement Law of 1937, Government Code Chapter 3, Part 3, Division 4, Title 3, Article 5, permits the Board of Retirement at its discretion to invest the assets of the Plan through the purchase, holding or sale of any form or type of investment, financial instrument or financial transaction when prudent in the informed opinion of the Board. Although it is not the intent of the Board of Retirement to become involved in the day-to-day investment decisions, the Board or its designee(s) will adhere to the following procedures in the management of MCERA's assets:

- The Board develops and approves guidelines for the execution of MCERA's investment program. Only the Board in its sole discretion can delegate its decision-making authority regarding the investment program. Staff is responsible for the timely implementation and administration of these decisions.
- A formal review of MCERA's investment structure, asset allocation and financial performance will be conducted annually or more frequently as the need arises. The review will include recommended adjustments to the long-term strategic asset allocation to reflect any changes in applicable regulations, long-term capital market assumptions, actuarial assumptions or MCERA's financial condition.
- The Board shall review MCERA's investments quarterly, or as needed, to ensure that policy guidelines continue to be met. The Board shall monitor investment returns on both an absolute basis and relative to appropriate benchmarks and peer group comparisons. The source of information for these reviews shall come from Staff, outside consultants, the custodian and MCERA's investment managers.
- The Investment Committee is comprised of all Board members.
- The Board may retain investment consultants to provide services such as conducting performance reviews, asset allocation, manager reviews and investment research. The comments and recommendations of the consultants will be considered in conjunction with other available information to aid the Board in making informed, prudent decisions.
- Trustees shall direct questions from managers regarding MCERA's Investment Policy or other matters relating to the Plan to the Retirement Administrator and/or investment consultant.
- The Board shall be responsible for taking appropriate action if investment objectives are not being met or if policies and guidelines are not being followed. Reviews for separate portfolios managed by external managers will focus on:
  1. Written certification of manager compliance to the Policy guidelines.

## C.2.c.1

2. Material changes in the managers' organizations, such as investment philosophy, personnel changes, acquisitions or losses of major accounts, etc. The managers will be responsible for keeping MCERA advised of any material changes in personnel, investment strategy, or other pertinent information potentially affecting performance.
  3. Investment performance relative to each manager's stated performance benchmark(s) as set forth in the manager's investment guidelines.
- The Board shall expect Staff to administer MCERA's investments in a cost-effective manner subject to Board approval. These costs include, but are not limited to, management, consulting and custodial fees, transaction costs and other administrative costs chargeable to MCERA.
  - The Board shall be responsible for selecting a qualified custodian with advice from Staff.
  - The Board shall perform due diligence on each new manager prior to funding, and on each existing manager in accordance with the Due Diligence policy found at: <https://www.mcera.org/retirementboard/governance-policies>
  - To maintain and strengthen the investment management of MCERA's Plan, Staff and Board members shall be expected to participate in educational conferences/seminars related to their direct responsibility for the investment activities of MCERA in accordance with the Education Policy found at:
  - <https://www.mcera.org/retirementboard/governance-policies>

### **Duties of the Staff**

The Retirement Staff, as designated by the Board, plays a significant role in the management and oversight of the Plan. Staff duties include:

- Authority to invest the Fund's cash without requiring Board permission, and as set forth elsewhere in MCERA's Investment Policy.
- Monitoring investment managers for adherence to appropriate policies and guidelines.
- Evaluating and managing the relationships with the consultants to the Fund to ensure that they are providing all the necessary assistance to Staff and the Board as set forth in their service contracts.
- Conducting manager searches, as set forth in this document, with necessary assistance from consultants as directed by the Board.
- Restructuring portfolios following manager terminations with the assistance of consultants and managers, as needed.

## C.2.c.1

- Organizing and/or participating in any special research required to manage the Plan more effectively or in response to any questions raised by Board members.
- Supporting the Board in the development and approval of the Investment Plan, implementing and monitoring the Plan, and reporting at least monthly on investment activity and matters of significance.
- Assisting with the negotiation of investment manager fees when needed.
- Ensuring that investment managers conform to the terms of their contracts and that their performance monitoring systems are sufficient to provide the Board with timely, accurate and useful information.

### **Duties of the Investment Managers**

The investment managers shall:

- Provide the Plan with a written agreement to invest within the guidelines established in the Investment Policy.
- Provide the Plan with proof of liability and fiduciary insurance coverage. Updated policy information will be provided to MCERA upon renewal and/or changes to the policy.
- Be an SEC-Registered Investment Advisor under the 1940 Act, and be recognized as providing demonstrated expertise over a number of years in the management of institutional, tax-exempt assets within a defined investment specialty.
- Adhere to the investment management style concepts and principles for which they were retained, including, but not limited to, developing portfolio strategy, performing research, developing buy, hold and sell lists, and purchasing and selling securities.
- Execute all transactions for the benefit of the Plan with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to the Plan.
- Reconcile monthly accounting, transaction and asset summary data with custodian valuations, and communicate and resolve any significant discrepancies with the custodian.
- Submit written certification to the Retirement Administrator on the adherence to these investment guidelines at the end of each calendar quarter.
- Maintain frequent and open communication with Staff and the Board on all significant matters pertaining to the Investment Policy, including, but not limited to, the following:
  - Major changes in the investment manager's investment outlook, investment strategy and portfolio structure;



## C.2.c.1

- Significant changes in ownership, organizational structure, financial condition or senior personnel;
  - Any changes in the portfolio manager or client servicing personnel assigned to the Plan;
  - All pertinent issues which the investment manager deems to be of significant interest or material importance.
- Meet with the Board or its designee(s) on an as-needed basis.

### **Duties of the Private Equity Investment Managers**

The private equity investment manager shall:

- Be a SEC-Registered Investment Advisor under the 1940 Act.
- Adhere to the investment management style concepts and principles set forth in the legal documentation of the relevant investment vehicle.
- Submit written certification to the Retirement Administrator of the performance of the relevant investment vehicle at the end of each calendar quarter, to the extent measurable.
- Shall agree or cause the General Partners, Manager or other controlling party to the investment vehicle to agree to meet with the Board or its designee(s) on an as-needed basis and at least annually.

### **Duties of the Master Custodian**

The master custodian shall be responsible for the following:

- Provide complete global custody and depository services for the designated accounts.
- Manage, if directed by the Board, a Short Term Investment Fund (STIF) for investment of any cash not invested by managers, and ensure that all available cash is invested. If the cash reserves are managed externally, full cooperation must be provided.
- Provide in a timely and effective manner a monthly report of the investment activities implemented by the investment managers. If certain portfolios are custodied elsewhere, full cooperation must be provided.
- Collect all income and principal realizable and properly report it on the periodic statements.
- Provide monthly and fiscal year-end accounting statements for the portfolio, including all transactions; these should be based on accurate security values for both cost and market. These reports should be provided within acceptable time frames.

## C.2.c.1

- Report to MCERA situations where accurate security pricing, valuation and accrued income is either not possible or subject to considerable uncertainty.
- Provide assistance to the Plan to complete such activities as the annual audit, transaction verification or other issues as required by the Board.
- Manage a securities lending program to enhance income if directed by the Board. If the securities lending program is managed externally, full cooperation must be provided.
- Securities transactions shall be settled under the contractual method.
- The use of due bills or substitute securities is expressly forbidden.

### **Duties of the General Investment Consultant**

The investment consultant will act as a fiduciary for all services provided to MCERA. The Investment Consultant shall be responsible for the following:

- Make recommendations to the Board regarding investment policy and strategic asset allocation.
- Assist MCERA in the selection of qualified investment managers and sponsors of limited liability partnerships, limited liability corporations, group trusts or other commonly used investment vehicles and assist in the oversight of existing managers and said sponsors, including monitoring changes in personnel, ownership and their investment process.
- Assist in the selection of a qualified custodian (including a securities lending agent and/or a cash manager) if necessary.
- Prepare a quarterly performance report including performance attribution on MCERA's managers and total assets, a check on guideline compliance and adherence to investment style and discipline.
- Provide topical research and education on investment subjects that are relevant to MCERA.
- Assist with the negotiation of investment management, private equity manager and custodian fees.

**POLICY REVIEW**

The Investment Committee will review this Policy at least every year to ensure that it remains relevant and appropriate. The Policy may be amended at any time by majority vote.

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**APPENDIX A**

**MCERA'S LONG-TERM STRATEGIC ASSET ALLOCATION TARGETS AND RANGES**

The strategic asset allocation targets have been developed as a function of the returns and risks of various asset classes and a rigorous analysis of MCERA's liabilities, taking into account the Board's risk tolerance and long-term objectives. As asset class values change over time, deviations from the asset allocation targets may occur. Rebalancing the portfolio may be necessary to return the asset class allocations to targeted weights so as to ensure that the Board's intended strategy is consistently maintained over time. Rebalancing actions are the responsibility of the Staff and shall be reported to the Board on a periodic basis.

Staff is authorized and directed (in the normal course of events) to act in accordance with this policy. Where particular circumstances arise and Staff determines rebalancing is not prudent, because doing so may generate unnecessary costs or otherwise not be in the best interests of MCERA, a full report of the actions taken or not taken shall be made to the Board at the earliest opportunity.

MCERA's actual asset allocation shall be reviewed at the end of each month at a minimum and shall be based on current asset valuations. Estimated values may be used when current asset valuations are not available.

By using statistical models and employing a diversified portfolio strategy, MCERA seeks to create an efficient frontier, which is an optimal portfolio profile that accomplishes the lowest possible level of risk for a certain level of return. While asset allocation targets are an essential part of MCERA's investment policy, the inputs used to develop these benchmarks are not known with certainty. Indeed, the targets were derived using estimates of future returns and estimates of the risk of loss for each asset class. Because future results are only estimates based on historical returns and volatility for each asset class, a range of different allocations other than the target percentage may be statistically identical in risk-return terms to the targeted benchmark even though the actual allocations may be outside of the targeted percent. Thus, the efficient frontier is really a range of targeted allocations, rather than a strict target percent of asset allocations in a portfolio. In other words, the portfolio is on the efficient frontier if the allocations to each asset class are within a range around the target allocations.

## C.2.c.1

The strategic policy asset allocation and rebalancing triggers are set out in the table below:

Asset Class	Target Percent	Allowable Range
<b>US Equity</b>	<b>32.0%</b>	<b>28.0% - 36.0%</b>
Large Cap Core	22.4%	19.4% - 25.4%
Small Cap Core	9.6%	7.6% - 11.6%
<b>Non-US Equities</b>	<b>22.0%</b>	<b>19.0% - 25.0%</b>
International Large Cap Value	6.6%	5.6% - 7.6%
International Large Cap Growth	6.6%	5.6% - 7.6%
International Small Cap Core	4.4%	3.9% - 4.9%
International Emerging Markets	4.4%	3.9% - 4.9%
<b>Fixed Income</b>	<b>23.0%</b>	<b>20.0% - 26.0%</b>
US Core Plus Fixed Income	11.5%	8.5% - 14.5%
US Intermediate Credit Fixed Income	5.75%	4.75% - 6.75%
Global Fixed Income	5.75%	4.75% - 6.75%
<b>Real Assets</b>	<b>7.0%</b>	<b>4.0% - 10.0%</b>
Treasury Inflation Protected Securities	1.75%	1.5% - 2.0%
Commodities	1.75%	1.5% - 2.0%
Global Natural Resources Equity	1.75%	1.5% - 2.0%
Real Estate Investment Trusts	1.75%	1.5% - 2.0%
<b>Real Estate</b>	<b>8.0%</b>	<b>4.0% - 12.0%</b>
<b>Private Equity</b>	<b>8.0%</b>	<b>0.0% - 12.0%*</b>

*\* MCERA acknowledges that because of the nature of private equity investment, it may take several years to fund the private equity allocations and during the initial funding period, its allocation to private equity in market value terms may fall below the 8% target. During the initial funding period, as a proxy for private equity, MCERA intends to keep the assets committed to private equity partnerships invested in domestic and international equity. The result will be overweights in both of these asset classes relative to the long-term targets described above.*

The following principles apply when asset allocations are outside the allowable ranges noted above:

1. Cash held by MCERA and cash awaiting investment in private equity investments or other alternative investments may be securitized with exchange-traded futures to a fund policy mix by MCERA's overlay manager. The use of derivative instruments is permitted as long as it does not create economic leverage in the portfolio and the instruments comply with the Derivatives section of this investment policy.

## C.2.c.1

2. In order to rebalance as efficiently as possible and save transactions costs, allocations may be brought back by 50% of the difference between the current position and its target percentage, rather than exactly to the target percentage as long as the rebalancing brings the allocation back within the allowable range.
3. Real Estate and Private Equity, because of their illiquid nature, are very costly to rebalance. MCERA's Staff will make reasonable attempts to keep these asset classes within the allowable ranges defined above. Given their illiquidity, the risk of these asset classes moving outside of the allowable ranges for an extended period is heightened. In these cases, MCERA's Staff will document a plan to rebalance the allocations within the allowable ranges in the most timely and ~~cost-efficient~~cost-efficient manner possible given market and other conditions. It is noteworthy that the risk of these asset classes drifting outside of the efficient frontier is mitigated by the relatively small exposure to these classes as a percentage of the entire portfolio.
4. When physical securities are traded, assets will be moved between investment managers in accordance with the following principles:
  - a) Assets will be taken from investment managers in the overweight asset class(es) with consideration given to asset class structure, investment manager target weights, and confidence in the investment managers themselves. With respect to private equity and real estate allocations, the illiquid nature of these classes will be taken into account and trading will normally be avoided where possible.
  - b) Primary emphasis should be on significantly different asset classes (e.g. equity vs. fixed income).
  - c) Assets will be directed to investment managers in the underweight asset class(es) with consideration given to the same factors listed above.

## C.2.c.1

### APPENDIX B - 1

#### **STATE STREET GLOBAL ADVISORS (SSGA) S&P 500 INDEX STRATEGY (LARGE CAP CORE) STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

##### Investment Approach

The objective of the S&P 500 Index strategy is to provide returns consistent with the US equity market as measured by the S&P 500 Index.

##### Performance Objectives

- Match the return, gross of management fees, of the S&P 500 Index over a complete market cycle.
- Minimize tracking error relative to the S&P 500 Index.

##### Investment Guidelines

- All investments shall be managed in a diversified and prudent manner, subject to compliance with the Investment Policies, Objectives and Guidelines for the Marin County Employees' Retirement Association as set forth in this Appendix B-1 and the Statement of Investment Policies, Objectives and Guidelines set forth in the Investment Management Agreement between MCERA and SSGA, dated January 11, 2019, as amended from time to time (the "SSGA Agreement").
- Sector and security selection, portfolio structure and timing of purchase and sales are delegated to SSGA subject to the SSGA Agreement.
- The following transactions are prohibited: short sales, selling on margin, writing options other than covered options, and "prohibited transactions" as defined under the Employee Retirement Income Security Act (ERISA), unless in reliance on an applicable Prohibited Transaction Exemption.

Any material violation of these Investment Manager Guidelines is to be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

##### Reporting Requirements

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.

### C.2.c.1

- Quarterly – Same as monthly plus, performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- Review every month transaction data with custodian reports, and communicate and seek to resolve any significant discrepancies with the custodian.
- State Street Global Advisors will meet with the MCERA Board as often as deemed necessary by MCERA. A representative will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.
- State Street Global Advisors will keep MCERA apprised of relevant information regarding its organization and personnel. To the extent legally possible, SSGA will use its best efforts to promptly notify MCERA of any change in the lead personnel assigned to manage the account.



**APPENDIX B - 2**  
**DIMENSIONAL FUND ADVISORS (DFA)**  
**DOMESTIC SMALL CAP EQUITY**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

The strategy will be invested in a broadly diversified portfolio of companies that are generally in the lowest 10% of total market capitalization or companies whose market capitalizations are smaller than the 1,000<sup>th</sup> largest U.S. company, whichever results in the higher market capitalization break, in each case as reasonably determined by Manager at the time of purchase. In general, with respect to companies eligible for purchase the higher the relative market capitalization of the U.S. small cap company, the greater its representation in the Managed Assets. Manager may also adjust the representation within the Managed Assets of an eligible company, or exclude a company, after considering such factors as market capitalization, free float, momentum, trading strategies, liquidity, profitability, and other factors that Manager determines to be appropriate, given market conditions.

**Performance Objectives**

- Exceed the return, net of management fees, of the Russell 2000 Index (the “Benchmark”) over a complete market cycle.
- Perform in the top half of a peer universe of small cap core equity managers over a complete market cycle.

**Investment Guidelines**

- All investments shall be managed in a diversified and prudent manner, subject to compliance with the Investment Policies, Objectives and Guidelines for the Marin County Employees’ Retirement Association.
- Sector and security selection, portfolio structure and timing of purchase and sales are delegated to the manager subject to the investment management contract.
- The following transactions are prohibited: short sales, selling on margin, writing options other than covered options, and “prohibited transactions” as defined under the Employee Retirement Income Security Act (ERISA).
- Transactions shall be executed on the basis of seeking “best price and execution” and pursuant to Investment Manager’s best execution and trading policies for the sole benefit of the Marin County Employees’ Retirement Association.
- The use of foreign equity instruments which trade on U.S.-based exchanges or on NASDAQ, including American Depositary Receipts (ADRs), are acceptable as domestic equity investments

## C.2.c.1

but shall not constitute more than 15% of the portfolio (at market). Companies headquartered in the US will be considered domestic even if they are incorporated in a foreign jurisdiction.

- Securities in the Benchmark are permitted.
- Any security purchased or received in a corporate action is permitted.
- If not otherwise permitted herein, the use of other non-U.S. equity securities is prohibited. Notwithstanding the foregoing, securities of companies listed on exchanges or markets in the United States are permitted.
- The portfolio is expected to remain fully invested in that cash holdings should not exceed 10% of the market value in the portfolio; provided that such limit may be exceeded in situations where substantial withdrawals or inflows occur.
- DFA shall not purchase stock (or securities convertible into stock) of any single issuer if the purchase would cause this portfolio to include more than 5% of the outstanding voting stock, or more than 5% in (market) value of all outstanding securities of single issuer (assuming all shares are converted).
- Other than in connection with a corporate action, DFA shall not purchase private placements unless authorized in writing by the Board.

Any material violation of these Investment Manager Guidelines shall be corrected promptly upon discovery and provided that a reasonable market exists.

Any material violation of these Investment Manager Guidelines shall be corrected promptly upon discovery, provided that in the event that the correction requires the buying and/or selling of securities, the Manager shall execute such purchase or sell trades of the applicable securities in an orderly fashion based upon prevailing market conditions.

### Reporting Requirements

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus written certification of compliance with guidelines, performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- Review every month transaction data with custodian reports, and communicate and seek to resolve any significant discrepancies with the custodian.

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- DFA will meet with the MCERA Board as often as deemed necessary by MCERA. One of the lead portfolio managers will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.
- DFA will keep MCERA apprised of relevant information regarding its organization and personnel. DFA will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

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**APPENDIX B - 3**  
**MORGAN STANLEY INVESTMENT MANAGEMENT**  
**NON U.S. VALUE EQUITY**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

### Investment Approach

Morgan Stanley uses a value-driven, bottom-up approach to maximize return potential, combined with sufficient diversification to minimize investment risk. MSIM believes that longer-term investors can take advantage of pricing anomalies by purchasing stocks of companies that are currently underpriced and by selling them before their prices reach excessive levels. In addition, they believe that fundamental research is the key to identifying such companies with a high degree of confidence on a timely basis.

### Performance Objectives

- Exceed the return, net of management fees, of the MSCI EAFE Index over a complete market cycle.
- Perform in the top half of a peer universe of Non-U.S. value equity managers over a complete market cycle.

### Investment Guidelines

- The Morgan Stanley International Equity Trust is subject to provisions of the Employee Retirement Income Security Act, as amended (“ERISA”). The Agreement governs all aspects of investment with respect to the Trust, including an ERISA-mandated standard of care.
- MCERA is responsible for determining that its investment in the Trust is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees’ Retirement Association. The Manager shall invest within the scope of its style as stated in the Agreement.

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

### Reporting Requirements

- Monthly – Asset (portfolio) statement and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA’s Investment Consultant.
- Quarterly – Same as monthly plus written certification of compliance with guidelines, performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years,

### C.2.c.1

five years and since inception, and review of transactions costs (to be provided annually). These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.

- Morgan Stanley will meet with the MCERA Board as often as deemed necessary by MCERA. A representative of Morgan Stanley will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.
- Morgan Stanley will keep MCERA apprised of relevant information regarding its organization and personnel. Morgan Stanley will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

**APPENDIX B - 4**  
**ARTISAN PARTNERS**  
**NON U.S. GROWTH EQUITY**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

Artisan uses a fundamental bottom-up investment process to construct a diversified portfolio of international growth companies regardless of market capitalization, concentrating on industries or themes that the investment team believes present long-term growth opportunities and companies that are well positioned to capitalize on that growth. The portfolio has a primary emphasis on developed markets but also invests in emerging markets and is constructed without regard to index weightings.

**Performance Objectives**

- Exceed the return, net of management fees, of the MSCI EAFE Index over a complete market cycle.
- Perform in the top half of a peer universe of Non-U.S. growth equity managers over a complete market cycle.

**Reporting Requirements**

- Monthly – Asset (portfolio) statement and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA’s Investment Consultant.
- Quarterly – Same as monthly plus performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception. These will be sent to MCERA’s Retirement Administrator and MCERA’s Investment Consultant.
- Artisan will meet with the MCERA Board as often as deemed necessary by MCERA. A representative will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the fund and its performance.
- Artisan will keep MCERA apprised of relevant information regarding its organization and personnel. Artisan will notify MCERA promptly of any change in the lead personnel assigned to manage the account.

**APPENDIX B - 5**

**TIMESQUARE CAPITAL MANAGEMENT COLLECTIVE INVESTMENT TRUST  
TIMESQUARE INTERNATIONAL SMALL CAP FUND  
STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

TimesSquare Capital Management believes fundamental equity growth research with a particular emphasis on the assessment of management quality, an in-depth understanding of superior business models, and valuation discrepancies enables them to create a diversified international small cap fund that will generate quality risk-adjusted returns.

**Performance Objectives**

- Exceed the return, net of management fees, of the MSCI EAFE Small Cap Index over a complete market cycle.
- Perform in the top half of a peer universe of International Small Cap equity managers over a complete market cycle.

**Investment Guidelines**

- MCERA is responsible for determining that its investment in the TimesSquare International Small Cap Fund is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. TimesSquare shall invest within the scope of its style as stated in the governing documents for the fund.

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

**Reporting Requirements**

- Monthly – Asset (portfolio) statement and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- A representative of TimesSquare will meet with the MCERA Board as often as deemed necessary by MCERA. A representative will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the fund and its performance.

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- TimesSquare will keep MCERA apprised of relevant information regarding its organization and personnel. The fund or its representative will notify MCERA promptly of any change in the lead personnel assigned to manage the account.

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**APPENDIX B - 6**  
**PARAMETRIC**  
**EMERGING MARKETS EQUITY**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

### Investment Approach

Parametric Portfolio Advisors subadvises the Eaton Vance Trust Company/Parametric Emerging Markets Equity Fund (collective investment trust) for Eaton Vance. Parametric believes that a disciplined, long-term, structured approach can efficiently participate in the systematic growth of emerging markets on a consistent and repeatable basis with lower return risk. The structured approach is based upon quantitative research at the strategic level and observation of emerging market behavior. The factors dictating the investment approach include liquidity, volatility, correlation, reversion to the mean and the importance of country size in expected returns.

### Performance Objectives

- Exceed the return, net of management fees, of MSCI Emerging Markets Free Index over a complete market cycle.
- Perform in the top half of a peer universe of emerging markets equity managers over a complete market cycle.

### Investment Guidelines

- MCERA is responsible for determining that its investments in Parametric's Emerging Markets Equity collective investment trust is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. Parametric shall invest within the scope of its style as stated in the governing documents for the fund.

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

### Reporting Requirements

- Monthly – Asset (portfolio) statement and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.

### C.2.c.1

- A representative of Parametric will meet with the MCERA Board as often as deemed necessary by MCERA. A representative will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the fund and its performance.
- Parametric will keep MCERA apprised of relevant information regarding its organization and personnel. Parametric will notify MCERA promptly of any change in the lead personnel assigned to manage the account.

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**APPENDIX B - 7**  
**WELLINGTON MANAGEMENT COMPANY**  
**CORE PLUS FIXED INCOME**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

Wellington will invest in a diversified portfolio of investment grade and below investment grade fixed income securities. Wellington will add value primarily from sector and issue selection decisions. Interest rate anticipation and duration management will play a limited role in the portfolio.

**Performance Objectives**

- Exceed the return, net of management fees, of the Bloomberg Barclays U.S. Aggregate Index over a complete market cycle.
- Perform in the top half of a peer universe of core plus fixed income managers over a complete market cycle.

**Investment Guidelines**

- All investments are subject to compliance with the Investment Policies, Objectives and Guidelines for the Marin County Employees' Retirement Association, with applicable State and Federal statutes, and shall be managed in a diversified and prudent manner. The manager shall invest within the scope of their stated style.
- Sector and security selection, portfolio structure and timing of purchase and sales are delegated to the manager subject to the investment management contract.
- The following transactions are prohibited: short sales where securities are borrowed solely for the purpose of shorting, selling on margin, and "prohibited transactions" as defined under the Employee Retirement Income Security Act (ERISA).
- Transactions shall be executed on the basis of "best price and execution" for the sole benefit of the Marin County Employees' Retirement Association's beneficiaries.
- The duration on the portfolio shall range between 75% - 125% of the duration on the Bloomberg Barclays U.S. Aggregate Index.
- MCERA expects its domestic fixed income investment managers to maintain diversified portfolios by sector and by issuer. No more than 5% of the portfolio shall be invested with a single investment grade issuer other than obligations of the US Government and its agencies. No more than 2% of the portfolio shall be invested with a single below investment grade issuer.

## C.2.c.1

- Futures, options, swaps, forwards and other derivative securities are permitted investments. Any use of these instruments by Wellington will be in a non-leveraged manner, defined as follows:
  - The use of financial leverage is prohibited. The Account will not be considered leveraged as a result of authorized derivative positions provided the Account maintains cash and securities at least equal to the value of the obligations created by its net derivative positions in order to cover the obligations created by such positions.
- Wellington may invest up to 20% of the portfolio in securities rated below investment grade by all three of the major credit rating agencies. In the case of split ratings in which the three agencies have different ratings, the highest rating will be used in determining the credit rating of the security. If an issue is unrated, then an equivalent credit rating, as deemed by Wellington Management, may be used.
- Wellington may invest up to 20% of the portfolio in non-dollar denominated securities and currencies. The Portfolio may take currency positions unrelated to underlying portfolio holdings.
  - Non-dollar securities may be held on a currency hedged or un-hedged basis. The portfolio may invest in currency exchange transactions on a spot or forward basis. Both long and short currency exposures are permissible.
  - With respect to the 20% non-dollar investment limitation listed above, the Investment Manager may take effective foreign currency exposure up to 20% of the total portfolio (e.g. the entire non-dollar portfolio may be unhedged). Foreign currency exposure will be based on the absolute value of all positions (long and short) versus the dollar, except in the case of same country and currency exposures where these can be netted. Both long and short foreign currency positions may be held without owning securities denominated in such currencies.
- Wellington may invest up to 20% of the portfolio in private placements, including those issued pursuant to Rule 144A and/or Reg S and other restricted securities, the liquidity of which Wellington Management deems consistent with the Portfolio's investment objective.
- Wellington may invest up to 5% of the portfolio in U.S. and non-U.S. preferred and perpetual securities.
- Wellington will maintain an average weighted credit quality of not more than 2 rating notches below the benchmark's average weighted credit quality, at all times. For the avoidance of doubt, if the benchmark is rated AA-, then 2 notches below would be A.
  - Ratings method: The ratings method used to test both the benchmark's average credit rating and the portfolio's average credit rating will be "split to the highest rating" of the three major rating agencies.
- Investment in mortgage interest only (IO), principal only (PO), inverse floaters or other CMO derivatives that have highly uncertain or volatile duration or price movements are limited to 5% of the market value of the portfolio.

## C.2.c.1

- Bank loans are permitted investments.
- All percentage limits refer to “at time of purchase.”

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

### Reporting Requirements

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA’s Investment Consultant.
- Quarterly – Same as monthly plus written certification of compliance with guidelines, performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs. These will be sent to MCERA’s Retirement Administrator and MCERA’s Investment Consultant.
- Review every month transaction data with custodian reports, and communicate and resolve any significant discrepancies with the custodian.
- Wellington will meet with the MCERA Board as often as deemed necessary by MCERA. One of the lead portfolio managers will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.
- Wellington will keep MCERA apprised of relevant information regarding its organization and personnel. Wellington will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

**APPENDIX B - 8**  
**WESTERN ASSET MANAGEMENT**  
**INTERMEDIATE CREDIT FIXED INCOME**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

Western will invest primarily in a portfolio of cash-based U.S. dollar (USD) denominated credit issues with an intermediate overall duration.

**Performance Objectives**

- Exceed the return, net of management fees, of the Bloomberg Barclays U.S. Intermediate Credit Index over a complete market cycle.
- Perform in the top half of a peer universe of intermediate style fixed income managers over a complete market cycle.

**Investment Guidelines**

- All investments are subject to compliance with the Investment Policies, Objectives and Guidelines for the Marin County Employees' Retirement Association, with applicable State and Federal statutes; accordingly, as of the date of this amendment these guidelines conform to all applicable rules and regulations and the Client will notify Western if any change thereof materially impact these guidelines. Moreover, the portfolio shall be managed in a diversified and prudent manner. The manager shall invest within the scope of their stated style.
- Sector and security selection, portfolio structure and timing of purchase and sales are delegated to the manager subject to the investment management contract.
- The following transactions are prohibited: short sales where securities are borrowed solely for the purpose of shorting, selling on margin, and "prohibited transactions" as defined under the Employee Retirement Income Security Act (ERISA).
- Transactions shall be executed on the basis of "best price and execution" for the sole benefit of the Marin County Employees' Retirement Association's beneficiaries.
- The average weighted duration of portfolio security holdings including derivatives positions is expected to range within  $\pm 20\%$  of the benchmark.
- MCERA expects its domestic intermediate credit fixed income investment managers to maintain diversified portfolios by issuer. Obligations of issuers are subject to a 5% per issuer limit excluding investments in commingled vehicles and US Treasuries and US Agencies. Any of the following fixed income securities, denominated in USD or non-USD, and their futures

## C.2.c.1

or options derivatives, individually or in commingled vehicles, subject to credit, diversification and marketability, may be held outright and under resale agreement (REPO):

- Western may invest up to 100% in corporate securities.
- Western may invest up to 10% of the portfolio in debentures issued or guaranteed by the U.S. Federal Government, U.S. Federal agencies or U.S. government-sponsored corporations and agencies;
- Western may invest up to 10% in contingent convertibles (“CoCos”) and preferred stocks.
- Western may invest up to 5% of the portfolio in U.S. and non-U.S. convertible securities (excluding CoCos which have their own bucket), bank loans, commercial paper, certificates of deposit and bankers’ acceptances issued by industrial, utility, finance, commercial banking or bank holding company organizations;
- Western may invest up to 10% of the portfolio in securities of emerging market issuers, international agencies, supranational entities, and foreign governments (or their subdivisions or agencies);
- Western may invest up to 5% of the portfolio in taxable and tax-exempt obligations issued or guaranteed by U.S. local, city and state governments, instrumentalities and agencies.
- Western may invest up to 10% of the portfolio in non-USD denominated securities. Up to 5% of the portfolio may be invested in non-USD exposure via unhedged non-US denominated securities and foreign currency transactions. The portfolio may invest in non-USD securities on a currency hedged or unhedged basis. Moreover, the portfolio may invest in currency exchange transactions on a spot or forward basis. Both long and short currency exposures are permissible. Western will net within currencies and the resulting value will contribute to the max percentage permitted.
- Swaps are permitted investments up to a maximum of 5%. Any use of these instruments by Western will be in a non-leveraged manner.
- At least 70% of the portfolio will be rated “investment grade.” Security ratings will be determined as follows. If a security is rated by Moody’s, S&P, and Fitch, then the middle rating of the three agencies will apply. In the event that the security is rated by two of the agencies, and the third is non-rated, then the lower rating of the two agencies will apply. If only one agency assigns a rating, then that rating will apply.

Standard & Poor's  
Moody's  
Fitch

BBB-, or A-2, or  
Baa3, or Prime-2, or  
BBB-, or F-2

## C.2.c.1

- Securities not covered by these standards will normally be, in the judgment of Western, at least equal in credit quality to the criteria implied in those standards. No more than 5% of the portfolio shall be invested in other unrated securities.
- In the event downgraded securities cause a breach of the Investment Guidelines, Western may continue to hold the positions but will not make any further purchases to increase the position while the breach remains.
- Western may invest up to 20% of the portfolio in Securities defined under Rule 144A and Commercial Paper defined under Section 4(2) of the Securities Act of 1933;
- For securities with legal final maturities of 270 days or less, Western may use the underlying credit's short-term ratings as proxy for establishing the minimum credit requirement.

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

### Reporting Requirements

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus written certification of compliance with guidelines, performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- Review every month transaction data with custodian reports, and communicate and resolve any significant discrepancies with the custodian.
- Western will meet with the MCERA Board as often as deemed necessary by MCERA. One of the lead portfolio managers will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.
- Western will keep MCERA apprised of relevant information regarding its organization and personnel. Western will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.



**APPENDIX B - 9**  
**COLCHESTER GLOBAL INVESTORS**  
**GLOBAL FIXED INCOME**  
**STATEMENT OF OBJECTIVES, GUIDELINES, AND PROCEDURES**

### Investment Approach

Colchester is a value-oriented global fixed income manager. Colchester will invest primarily in high quality sovereign bond markets that offer attractive yields and sound finances.

### Performance Objectives

- Exceed the return, net of management fees, of the FTSE World Government Bond Index (USD Unhedged) over a complete market cycle.
- Perform in the top half of a peer universe of global fixed income managers over a complete market cycle.

### Investment Guidelines

- MCERA is responsible for determining that its investment in Colchester's Global Bond Fund is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. Colchester shall invest within the scope of its style as stated in the governing documents for the Global Bond Fund.

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

### Reporting Requirements

- Monthly – Asset (portfolio) statement and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus written certification of compliance with guidelines, performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs (to be provided annually). These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- Colchester will meet with the MCERA Board as often as deemed necessary by MCERA. A representative of Colchester will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.

### C.2.c.1

- Colchester will keep MCERA apprised of relevant information regarding its organization and personnel. Colchester will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

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**APPENDIX B - 10**

**BLACKROCK**

**US TREASURY INFLATION PROTECTED SECURITIES FUND  
STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

The objectives of the US Treasury Inflation Protected Securities Fund are to provide returns consistent with the US TIPS market as measured by the Bloomberg Barclays US TIPS Index.

**Performance Objectives**

- Match the return as closely as practicable, gross of management fees, of the Bloomberg Barclays US TIPS Index over a complete market cycle.
- Minimize tracking error relative to the Bloomberg Barclays US TIPS Index.

**Investment Guidelines**

- MCERA is responsible for determining that its investment in the US Treasury Inflation Protected Securities Fund is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. BlackRock shall invest within the scope of its style as stated in the governing documents for the fund.

Any material violation of these Investment Manager Guidelines is to be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

**Reporting Requirements**

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus, performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- BlackRock will meet with the MCERA Board as often as deemed necessary by MCERA. A representative of BlackRock will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.

### C.2.c.1

- BlackRock will keep MCERA apprised of relevant information regarding its organization and personnel. BlackRock will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

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**APPENDIX B - 11**  
**INVESCO**  
**BALANCED-RISK COMMODITY**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

The Invesco Balanced-Risk Commodity strategy uses an active approach to commodity investing due to some of the unique return sources available in the commodity markets. The investment strategy focuses on four key drivers of commodity returns: term structure weighting, equal risk contribution, optimal roll, and tactical allocation.

**Performance Objectives**

- Exceed the return, net of management fees, of the Bloomberg Commodities Index over a complete market cycle.
- Perform in the top half of a peer universe of commodity managers over a complete market cycle.

**Investment Guidelines**

- MCERA is responsible for determining that its investment in Invesco's Balanced-Risk Commodity Fund is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. Invesco shall invest within the scope of its style as stated in the governing documents for the fund.

Any material violation of these Investment Manager Guidelines is to be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

**Reporting Requirements**

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus, performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- Invesco will meet with the MCERA Board as often as deemed necessary by MCERA. A representative of Invesco will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.

### C.2.c.1

- Invesco will keep MCERA apprised of relevant information regarding its organization and personnel. Invesco will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

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**APPENDIX B - 12**  
**KBI GLOBAL INVESTORS**  
**GLOBAL RESOURCE SOLUTIONS**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

KBI Global Investors' (KBIGI) Global Resource Solutions strategy invests in companies providing solutions to the greatest global resource challenges. There are compelling investment opportunities in companies providing solutions to resource scarcity across water, food and energy.

**Performance Objectives**

- Exceed the return, net of management fees, of the S&P Global Natural Resources Index over a complete market cycle.

**Investment Guidelines**

- MCERA is responsible for determining that its investment in the KBIGI Global Resource Solutions Fund is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. KBIGI shall invest within the scope of its style as stated in the governing documents for the fund.

Any material violation of these Investment Manager Guidelines is to be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

**Reporting Requirements**

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus, performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- KBIGI will meet with the MCERA Board as often as deemed necessary by MCERA. A representative of KBIGI will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.
- KBIGI will keep MCERA apprised of relevant information regarding its organization and personnel. KBIGI will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

**APPENDIX B - 13**  
**BLACKROCK**  
**REIT INDEX FUND**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

The objectives of the REIT Index Fund are to provide returns consistent with the US REIT market as measured by the Dow Jones US Select Real Estate Securities Index.

**Performance Objectives**

- Match the return as closely as practicable, gross of management fees, of the Dow Jones US Select Real Estate Securities Index over a complete market cycle.
- Minimize tracking error relative to the Dow Jones US Select Real Estate Securities Index.

**Investment Guidelines**

- MCERA is responsible for determining that its investment in the REIT Index Fund is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. BlackRock shall invest within the scope of its style as stated in the governing documents for the fund.

Any material violation of these Investment Manager Guidelines is to be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

**Reporting Requirements**

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus, performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- BlackRock will meet with the MCERA Board as often as deemed necessary by MCERA. A representative of BlackRock will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.



### C.2.c.1

- BlackRock will keep MCERA apprised of relevant information regarding its organization and personnel. BlackRock will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

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**APPENDIX B - 14**  
**UBS**  
**CORE REAL ESTATE**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

### Investment Approach

UBS Trumbull Property Fund is an open-ended core real estate commingled fund. UBS strives to invest predominantly in income producing properties diversified by both geographical region and by property type.

### Performance Objectives

- Exceed the return of the NCREIF Open-Ended Core Diversified Equity (ODCE) Index over a complete market cycle.
- Perform in the top half of a peer universe of Open-Ended Core Real Estate managers over a complete market cycle.

### Investment Guidelines

- MCERA is responsible for determining that its investment in the UBS Trumbull Property Fund is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. UBS shall invest within the scope of its style as stated in the governing documents for the UBS Trumbull Property Fund.

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

### Reporting Requirements

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- UBS will meet with the MCERA Board as often as deemed necessary by MCERA. Members of the investment team will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.

### C.2.c.1

- UBS will keep MCERA apprised of relevant information regarding its organization and personnel. UBS will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

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**APPENDIX B - 15**  
**AEW CAPITAL MANAGEMENT**  
**CORE REAL ESTATE**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

### Investment Approach

AEW Core Property Trust is an open-ended core real estate commingled fund. AEW strives to invest predominantly in income producing properties diversified by both geographical region and by property type.

### Performance Objectives

- Exceed the return of the NCREIF Open-Ended Core Diversified Equity (ODCE) Index over a complete market cycle.
- Perform in the top half of a peer universe of Open-Ended Core Real Estate managers over a complete market cycle.

### Investment Guidelines

- MCERA is responsible for determining that its investment in the AEW Core Property Trust is in compliance with its Investment Guidelines (other than this document) for the Marin County Employees' Retirement Association. AEW shall invest within the scope of its style as stated in the governing documents for the AEW Core Property Trust.

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

### Reporting Requirements

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.
- AEW will meet with the MCERA Board as often as deemed necessary by MCERA. Members of the investment team will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.

### C.2.c.1

- AEW will keep MCERA apprised of relevant information regarding its organization and personnel. AEW will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

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**APPENDIX B - 16**  
**PARAMETRIC PORTFOLIO ASSOCIATES**  
**POLICY IMPLEMENTATION OVERLAY SERVICE**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

Parametric Portfolio Associates will use futures contracts to “securitize” cash investments in the portfolio, bridge exposure gaps during transitions, and to rebalance portfolio exposures.

**Performance Objectives**

- Produce returns approximately equal to the Fund’s ~~guideline-based~~guideline-based overlay portfolio benchmark.

**Investment Guidelines**

- All investments are subject to compliance with the Investment Policies, Objectives and Guidelines for the Marin County Employees’ Retirement Association, with applicable State and Federal statutes, and shall be managed in a diversified and prudent manner. The manager shall invest within the scope of their stated style.
- Security selection and timing of purchase and sales are delegated to the manager subject to the investment management contract.
- The following transactions are prohibited: writing options other than covered options, and “prohibited transactions” as defined under the Employee Retirement Income Security Act (ERISA).
- Transactions shall be executed on the basis of “best price and execution” for the sole benefit of the Marin County Employees’ Retirement Association’s beneficiaries.
  - Futures contracts, including short positions, are permitted in order to “securitize” existing cash positions, bridge exposure gaps during transitions, and to rebalance portfolio exposures. Futures are not to be used for speculative purposes.

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery. A realized loss to the Fund resulting from a material violation of these Investment Manager Guidelines will require reimbursement of the amount of the loss by the manager.

**Reporting Requirements**

## C.2.c.1

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month will be sent to the MCERA Retirement Administrator and MCERA’s Investment Consultant.
- Quarterly – Same as monthly plus written certification of compliance with guidelines, performance of the portfolio and benchmark for the quarter, year-to-date, one year, three years, five years and since inception, and review of transactions costs. These will be sent to MCERA’s Retirement Administrator and MCERA’s Investment Consultant.
- Review every month transaction data with custodian reports, and communicate and resolve any significant discrepancies with the custodian.
- Parametric Portfolio Associates will meet with the MCERA Board as often as deemed necessary by MCERA. One of the lead portfolio managers will be available to meet with MCERA annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.
- Parametric Portfolio Associates will keep MCERA apprised of relevant information regarding its organization and personnel. Parametric Portfolio Associates will notify MCERA within 24 hours of any change in the lead personnel assigned to manage the account.

### APPENDIX C-1

#### **PATHWAY CAPITAL MANAGEMENT**

#### **PATHWAY PRIVATE EQUITY FUND 2008 (PPEF 2008)**

#### **PATHWAY PRIVATE EQUITY FUND INVESTORS 7 (PPEF I-7)**

#### **PATHWAY PRIVATE EQUITY FUND INVESTORS 8 (PPEF I-8)**

#### **PATHWAY PRIVATE EQUITY FUND INVESTORS 9 (PPEF I-9)**

#### **STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

#### Investment Approach

The Partnership's investment strategy is to create a diversified portfolio of private equity funds that pursue a variety of investment strategies, including but not limited to, buyouts, venture capital, and special situations.

#### Performance Objectives

- Produce returns approximately equal to or in excess of the Thomson-Cambridge (All Regions) All Private Equity Index as provided and set forth in the legal documentation of the Partnership.

#### Investment and other Guidelines

- All investments are subject to compliance with the investment management style concepts and principles set forth in the legal documentation of the Partnership.
- The investment manager shall at all times be a SEC-Registered Investment Advisor under the Investment Advisors Action of 1940, as amended.
- The General Partner acknowledges and agrees that the General Partner's investment in the Partnership will not exceed 20% of the Partnership's aggregate Capital Commitments of all of the Partners.

#### Reporting Requirements

- Reporting requirements will be governed by the Partnership's legal documentation.
- Quarterly – The investment manager shall submit written certification to the Retirement Administrator of the performance of the Partnership to the extent measurable, at the end of each calendar quarter, plus written certification of compliance with guidelines set forth herein. Performance of the portfolio, expressed in terms of the internal rate of return, once measurable for the relevant period, shall be described on a year-to-date, one year, three years, five years and since inception basis. These will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.



### C.2.c.1

- The Partnership shall be prohibited from making direct investments in securities of portfolio companies which in the aggregate are in excess of 20% of the Partnership's aggregate Capital Commitments.
- The investment manager shall meet or shall cause the General Partner of the Partnership to meet with the Board or its designee(s) annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.

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**APPENDIX C-2**  
**ABBOTT CAPITAL MANAGEMENT**  
**ABBOTT PRIVATE EQUITY FUND VI, LP (ACE VI)**  
**ABBOTT PRIVATE EQUITY FUND VII, LP (ACE VII)**  
**ABBOTT ANNUAL PROGRAM 2016, LP (AP 2016)**  
**ABBOTT ANNUAL PROGRAM 2017, LP (AP 2017)**  
**STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES**

**Investment Approach**

The Partnership's investment strategy is to create a diversified portfolio of private equity funds that pursue a variety of investment strategies, including but not limited to growth equity buyouts, venture capital, and special situations.

**Performance Objectives**

- Produce returns approximately equal to or in excess of the Thomson-Cambridge (All Regions) All Private Equity Index as provided and set forth in the legal documentation of the Partnership.

**Investment and other Guidelines**

- All investments are subject to compliance with the investment management style concepts and principles set forth in the legal documentation of the Partnership.
- The investment manager shall at all times be a SEC-Registered Investment Advisor under the Investment Advisors Action of 1940, as amended.
- The General Partner acknowledges and agrees that the General Partner's investment in the Partnership will not exceed 20% of the Partnership's aggregate Capital Commitments of all of the Partners.

Any material violation of these Investment Manager Guidelines shall be corrected immediately upon discovery.

**Reporting Requirements**

- Reporting requirements will be governed by the Partnership' legal documentation.
- Quarterly – The investment manager shall submit written certification to the Retirement Administrator of the performance of the Partnership to the extent measurable, at the end of each calendar quarter, plus written certification of compliance with guidelines set forth herein. Performance of the portfolio, expressed in terms of the internal rate of return, once measurable for the relevant period, shall be described on a year-to-date, one year, three years, five years

### C.2.c.1

and since inception basis and will be sent to MCERA's Retirement Administrator and MCERA's Investment Consultant.

- The investment manager shall meet or shall cause the General Partner of the Partnership to meet with the Board or its designee(s) annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.
- The Partnership shall be prohibited from making direct investments in securities of portfolio companies which are in the aggregate in excess of 20% of the Partnership's aggregate Capital Commitments.

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**APPENDIX D**

**RESOLUTION 2010/11-03**

**PLACEMENT AGENT PAYMENT DISCLOSURE RESOLUTION AND POLICY**

**Adopted: December 9, 2009**

**Amended: February 9, 2011**

**Amended: November 2, 2011**

**Reviewed: May 6, 2015**

**Reviewed: May 9, 2018**

WHEREAS, California Government Code section 7513.85, chaptered on October 11, 2009 to be effective immediately ("Section 7513.85"), requires all California public retirement systems to develop and implement, on or before June 30, 2010, a policy requiring the disclosure of payments to placement agents made in connection with system investments in or through external managers ("Placement Agent Payment Disclosure Policy" or "Policy").

WHEREAS, placement agent as described in this Policy includes all those identified in California Government Code section 7513.8, as amended.

WHEREAS, the Board of Retirement ("Board") of the Marin County Employees' Retirement Association ("MCERA") has determined, upon the recommendation of the MCERA Governance Committee, that adoption of a Placement Agent Payment Disclosure Policy is consistent with the Board's fiduciary responsibilities.

WHEREAS, Section 7513.85 requires the Placement Agent Payment Disclosure Policy to include, but not be limited to, six of the requirements enumerated in the Policy, and new California Government Code section 7513.9 requires additional disclosures that also are enumerated in this Policy.

WHEREAS, the MCERA Governance Committee has recommended, and the Board has determined, that the Placement Agent Payment Disclosure Policy must be agreed to in writing, and a report shall be filed annually, by all of MCERA's current and future external investment managers.

WHEREAS, in compliance with Section 7513.85, any external investment manager or Placement Agent that violates this Policy shall not solicit new investments from MCERA for five years after the violation is committed, unless the Board decides, in open session by majority vote, to waive the five year prohibition upon a showing of good cause.

WHEREAS, the Board reserves the right to impose an additional penalty of a fine on an external investment manager who violates this Policy, and does not establish good cause therefore to the reasonable satisfaction of the Board; provided, however, that said fine may not exceed the fees due from MCERA to the manager from the date of the violation to the date of the fee's imposition.

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NOW, THEREFORE, BE IT RESOLVED, THAT:

Prior to MCERA investing with any external investment manager, and contemporaneous with required annual filings of Statements of Economic Interests (Form 700) with respect to all MCERA existing external investment managers, MCERA's Investment Committee shall be provided with a written representation from the investment manager, in a form acceptable to MCERA's legal counsel, stating that (1) the external investment manager agrees with the disclosure and penalty provisions set forth in this Policy and (2) it has not used a Placement Agent in connection with MCERA's investment, or if the manager has used a Placement Agent, it will disclose the following:

1. The name of the Placement Agent(s) and the relationship between the external investment manager and Placement Agent(s).
2. A resume for each officer, partner, or principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses, and investment and work experience.
3. A description of any and all compensation of any kind provided, or agreed to be provided, to the Placement Agent.
4. A representation that the compensation provided is the sole obligation of the external investment manager and not of MCERA or the limited partnership.
5. A description of the services performed, and to be performed, by the Placement Agent.
6. A statement whether the Placement Agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.
7. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
8. All campaign contributions made by the Placement Agent to any elected member of the Board, and to any member of the Marin County Board of Supervisors, during the prior 24-month period, which disclosure shall be amended if any campaign contributions are made during the time the Placement Agent is receiving compensation in connection with a system investment.
9. All gifts, as defined in Government Code section 82028, given by the Placement Agent to any member of the Board, or to the Board's investment consultant, during the time the Placement Agent is receiving compensation in connection with a system investment.
10. All current or former MCERA Board members, employees, or consultants or

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a member of the immediate family of any such person who are either employed or receiving compensation from the Placement Agent.

11. The names of any current or former MCERA Board members, employees, or consultants who suggested the retention of the Placement Agent.

### Policy Review

The Board shall review this Placement Agent Payment Disclosure 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.

### Retirement Administrator's Certificate

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

Dated: May \_\_\_, 2018

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Retirement Administrator



# Credit Card Policy

Adopted: March 14, 2018

Amended: October 14, 2020

It is the policy of Marin County Employees' Retirement Association (MCERA) to account for the proper usage of MCERA credit cards for purposes of conducting MCERA business. The MCERA Retirement Administrator shall be responsible for the issuance, accounting, monitoring, and retrieval of all credit cards issued to MCERA, and in general for overseeing compliance with this policy.

## 1. PURPOSE

There is a need to establish a clear, accountable and enforceable MCERA Credit Card Policy. The purpose of this policy is to set guidelines for the use of credit cards issued to MCERA staff. In addition, the relevant cardholder's responsibility statement issued by the financial institution (i.e. Bank of America) and the cardholder's agreement govern the use of the MCERA credit card. The MCERA credit card purchasing option will significantly reduce the costs associated with low dollar purchases; the time involved in making low dollar purchases; and the amount of paperwork needed to make low dollar purchases, requisitions and purchase orders processed.

## 2. SCOPE

This credit card policy is intended to provide clarity and understanding of the legal framework (statutes, Board policies and other applicable rules and regulations) for ~~the~~ MCERA credit card acquisition, usage and oversight, policy that as follows.

- a. Any MCERA employee responsible for making credit card purchases using MCERA funds must comply with this credit card policy.
- b. The credit card policy included herein applies to all MCERA employees.
- c. This MCERA credit card policy will be used to establish uniform policy governing all MCERA credit card expenditure of funds.

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### 3. STANDARD

#### a. Background

MCERA has chosen to document its Credit Card program for credit card use by authorized MCERA staff. MCERA has issued this MCERA credit card policy and procedure to guide the users of the MCERA credit card.

This document contains policies and procedures to be followed by MCERA employees whose duties require them to perform MCERA credit card transactions. The contents of this document are applicable to all MCERA staff performing duties as part of their role at MCERA.

Staff who are involved in MCERA credit card transactions should be familiar with this policy and procedure. This document should be readily available to MCERA employees as a reference in carrying out their day-to-day usage of the MCERA credit card and in training new MCERA employees with credit card transaction roles.

#### b. Accountability

The MCERA credit card is to be used for official MCERA business only, and may not be used for personal purchases.

MCERA credit cards ~~are may be~~ issued to ~~three~~ authorized employees of MCERA: Clerk ~~f~~ of the Board of Retirement, Senior Accounting Assistant, and and Executive Assistant of the Retirement Administrator. Cardholders are responsible for the physical security of the ~~ir~~ card, the credit card number, and all charges appearing on the ~~ir~~ monthly statement of the card provided by MCERA under their name. ~~It is important that the credit card number be protected~~. Although no other individual may use the card or be provided with the credit card number, another person may pick up merchandise ordered by the Cardholder.

The MCERA credit card is issued to a Cardholder for use by the person on behalf of MCERA, only. Generic cards cannot be issued. The MCERA credit card must be used only by the Cardholder of official MCERA business only. No other MCERA employee, family member, supervisor, or person may use the card.



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### c. Prohibited MCERA Credit Card Purchases

Prohibited credit card purchases include, but are not limited to, the following transactions. Exceptions may only be granted by the Retirement Administrator in writing. If the Retirement Administrator seeks an exception to this policy, it may be granted in writing only by the Chair of the Board of Retirement.

- Reprographic services;
- Capital assets;
- Professional services;
- Wire transfer, money order;
- Direct marketing insurance services;
- Financial institutions: annual cash advance, automatic cash advance;
- Non-Financial institutions; foreign currency, money orders, traveler's check;
- Security brokers/dealers;
- Overpayments;
- Savings bonds;
- Timeshares;
- Betting, casino gaming chips, off-track betting;
- Political organizations;
- Religious organizations;
- Court costs, alimony, child support;
- Fines;
- Bail and bond payments;
- Tax payments;
- Government loan payments; and
- Other restrictions as defined in the procedures or determined by the Purchasing Agent.

### d. Purchasing Methods

Cardholders may use the MCERA credit card to purchase goods in person, by telephone, by FAX, by mail or electronically over the Internet. The MCERA credit card may be used at any business establishment that accepts a VISA credit card as a form of payment. If a vendor does not accept VISA and would like to become a VISA authorized merchant, they should contact their preferred financial institution.

The MCERA credit card may be used by MCERA instead of traditional purchasing methods, to make low dollar purchases of items where no other advantage in price, terms, or delivery time can be gained by Purchasing's buyer involvement. Most items under \$1,000 may be purchased using the MCERA credit card as long as the vendor accepts a VISA credit card.

If a cardholder uses the MCERA credit card to purchase goods or services for his or her

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business needs, the Accounting Unit Manager – Approving Official (AO), must provide written pre-approval for such a purchase.

### e. **Roles and Responsibilities**

The MCERA credit card program has two levels of organizational responsibility as described below.

**BANK of AMERICA** – Bank of America is the contractor that provides the MCERA credit card to the MCERA cardholders.

**MCERA Retirement Administrator** – For purposes of the MCERA credit card program, the Retirement Administrator has the duty and responsibilities to add, change or delete Cardholders. The MCERA Retirement Administrator is the final approver attesting that all charges on the monthly Cardholder statement are allowable purchases per MCERA policies and procedures.

**MCERA Approving Official (AO)** – For purposes of the MCERA credit card program, MCERA has one AO and up to three cardholders, Clerk of the Board of Retirement, Senior Accounting Assistant, and Executive Assistant of the Retirement Administrator. In the absence of the AO, the MCERA Retirement Administrator or the MCERA Assistant Retirement Administrator will serve as the alternate AO.

The MCERA Retirement Administrator has designated the MCERA Accounting Unit Manager to be the AO for pre-auditing invoices supporting the MCERA credit card purchases.

- The AO will attest that all charges on the monthly Cardholder statement are allowable purchases per MCERA policies and procedures.
- The duties and responsibilities of the AO are:
  - a. To receive all supporting documentation supporting the Cardholder's monthly statements for review. The AO must account for each Cardholder's monthly activity by comparing the received information with the Approving Official Summary Report;
  - b. To review all payment documents, supporting receipts and invoices to ensure items being purchased match by item and amount what is shown in the monthly Cardholder's billing statement;
  - c. To determine that purchases are in accordance with MCERA policies;
  - d. To verify the Cardholder has reconciled the supporting documentation to the monthly billing statement and has authorized the charges by signing and dating the bottom of the statement;
  - e. Once everything has been validated, the AO will authorize payment by signing the bottom of the monthly billing statement;
  - f. To submit a signed MCERA Invoice for payment processing at least ten working days prior to the payment due date.

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- g. To retain supporting documents of MCERA credit card transactions, Cardholder monthly statements, and other documents related to the MCERA credit card.
- h. When requested, to provide documents and information during the annual random MCERA audit.

**CARDHOLDER** – The Cardholder is responsible for ensuring that the MCERA credit card is used in accordance with all MCERA and Bank of America regulations, policies, and procedures. The Cardholder will receive prior approval from the Retirement Administrator before charging any education or travel related expenses associated with their work at MCERA.

The Cardholder is also responsible for:

- The physical security of the card and the card number;
- Accumulating Cardholder copies of sales drafts, charge slips and any supporting documentation;
- Reconciling receipts and charge slips to the monthly billing statement; and
- Sending reconciled and signed monthly statement to the AO.

**Revocation of Privileges:** The MCERA credit card privileges may be revoked at any time, upon direction of the MCERA Retirement Administrator. The MCERA credit card privileges will be revoked if the Cardholder continuously misuses the credit card. Improper purchases, frequent lost receipts, not maintaining supporting documentation, and/or not complying with the intent and details of the MCERA credit card program are examples of misuse.

Intentional use of the MCERA credit card for other than official MCERA purposes may result in immediate cancellation of the Cardholder's MCERA credit card, and possible disciplinary action.

**MCERA INVOICE PROCESSOR** – is responsible for entering MCERA invoices in MUNIS.

**MCERA INVOICE APPROVER L1** – is responsible for reviewing and approving MCERA invoices in MUNIS. Additionally, he/she must ensure that the entries are correct.

f. **Card Appearance**

The MCERA credit card is a standard VISA card issued by Bank of America. The card has Marin County Retirement both printed and embossed on it. The MCERA credit card is embossed with the individual Cardholder's name.

g. **Spending Limits**

MCERA establishes the maximum single transaction limit and maximum monthly amount of not more than \$5,000 respectively for each Cardholder. MCERA may decrease this limit as warranted. If the monthly amount of \$5,000 will be exceeded the

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Cardholder will seek prior written approval from the Retirement Administrator before making any purchases over the monthly maximum, or by the Chair of the Board of Retirement if such written approval is sought by the Retirement Administrator.

Most items under \$1,000 may be purchased using the MCERA credit card as long as the vendor accepts a VISA credit card. With the exception of conference registrations, Board Workshops and travel related to education and official duties of the Board of Retirement or MCERA staff, all other items purchased over \$1,000 must be approved by the Accounting Unit Manager in consultation with the Retirement Administrator.

### **4. QUALITY ASSURANCE/IMPROVEMENT**

This MCERA credit card policy will receive a review at least every three years and may be amended from time to time.

### **5. COMPLIANCE WITH ALL APPLICABLE LAWS**

MCERA shall engage an independent auditor to provide reasonable assurance that the financial reporting controls of MCERA are reliable and prepared in accordance with Generally Accepted Accounting Principles along with the MCERA's adherence to this policy.

### **6. RELATED DEPARTMENTS**

None

### **7. POLICY REVIEW**

The Finance and Risk Management Committee shall review this MCERA Credit Card Policy at least every three years to assure its efficacy and relevance. This MCERA Credit Card Policy may be amended from time to time by majority vote of the Finance and Risk Management Committee.

### **8. ATTACHMENTS**

No Attachments

**9. APPROVAL SIGNATURES**

**Approvers**

**Date**

\_\_\_\_\_  
Maya Gladstern  
MCERA Board Chair

\_\_\_\_\_  
Jeff Wickman  
MCERA Retirement Administrator

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## C.2.c.3

### MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA) ELECTION AND DUTIES OF BOARD OF RETIREMENT OFFICERS POLICY

ADOPTED: May 2, 2012

REVIEWED: December 9, 2015

REVIEWED: December 12, 2018

AMENDED: October 14, 2020

#### **I. PURPOSE**

MCERA Bylaws Section 102 provides, in pertinent part, that "At the first regular meeting in November of each year, the Retirement Board shall elect from its members a Chairperson, a Vice-Chairperson and A Secretary for a term of one (1) year or until a successor is duly elected and qualified." The Board of Retirement of MCERA ("Board") implements this policy to clarify its process with respect to the election and duties of such Board Officers.

#### **II. PROCEDURE**

##### **A. Notification:**

1. Annually at the September Board meeting the Retirement Administrator will present the Election and Duties of Board of Retirement Officers Policy to the Board for review and discussion. At the same meeting the Retirement Administrator will also inform the Board that nominations for Board Officers will be solicited at the October Board meeting.
2. At the October Board meeting, the Chair of the Board will ask members of the Board to express their interest in serving as Board Chair, Vice Chair and Secretary. Current officers may express an interest in continuing to serve in their positions subject to the limitations outlined in Sections III, A, 1.d, III. B.1.c and III.C.1.c.

#### **H.III. POLICY**

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### A. **Election and Duties of Board Chair:**

1. The Board Chair will be elected by the following process:
  - a. The Board Chair will be selected in an election held in open session by a public vote of the Board during the regular Board meeting held in November of each year.
  - b. Any regular (i.e., non-alternate) Board member may indicate his or her interest in the position or recommend another regular Board member for the position of Board Chair.
  - c. A candidate must receive at least five (5) affirmative votes to win the election. If no candidate receives five (5) votes, a second vote will be taken between the two candidates receiving the highest number of votes.
  - d. The Board Chair term is one (1) year, and may be renewed for no more than three (3) consecutive years.
2. The duties of the Board Chair are as follows:
  - a. Presides at all Board meetings;
  - b. Appoints the members of all of the Board's standing committees and ad hoc committees;
  - c. Reviews and approves agenda items for Board meetings; provided, however, that approval of agenda items requested by other Board members or the Retirement Administrator will not be unreasonably withheld; and
  - d. Signs agreements on the Board's behalf, consistent with the Board's then applicable resolutions designating the authorized signatories for executing contracts, agreements and financial documents; and
  - e. Performs other duties as directed by the Board.

### B. **Election and Duties of Vice Chair:**

1. The Board Vice Chair will be elected by the following process:
  - a. Following election of the Board Chair, at the regular Board meeting held in November of each year, any regular Board member may indicate his or her interest in the position of

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Vice Chair or may recommend another regular Board member for the position.

- b. A candidate must receive at least five (5) affirmative votes to win the election. If no candidate receives five (5) votes, a second vote will be taken between the two candidates receiving the highest number of votes.
  - c. The Board Vice Chair term is one (1) year, and may be renewed for no more than three (3) consecutive years.
2. The duties of the Vice Chair are as follows:
- a. Assumes and discharges the Chair's duties when the Chair is absent or otherwise unable to perform them, or when directed by the Chair; and
  - b. Performs other duties as directed by the Board.

### C. **Election and Duties of Secretary:**

1. The Board Secretary will be elected by the following process:
- a. Following election of the Board Vice Chair, at the regular Board meeting held in November of each year, any regular Board member may indicate his or her interest in the position of Secretary or may recommend another regular Board member for the position.
  - b. A candidate must receive at least five (5) affirmative votes to win the election. If no candidate receives five (5) votes, a second vote will be taken between the two candidates receiving the highest number of votes.
  - c. The Board Secretary term is one (1) year, and may be renewed for no more than three (3) consecutive years.
2. The duties of the Secretary are as follows:
- a. Assure that minutes are taken of all Board and committee meetings; and
  - b. Perform such other duties as directed by the Board.

## **III. IV. POLICY REVIEW**

The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate. The Policy may be amended at any time by majority vote.



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### **IV.V. RETIREMENT ADMINISTRATOR'S CERTIFICATE**

I, Jeff Wickman, the duly appointed Retirement Administrator of the Marin County Employees' Retirement Association, hereby certify that this policy was ~~amended~~ reviewed by MCERA on ~~this~~ \_\_\_\_ day of \_\_\_\_\_ 202018.

\_\_\_\_\_  
Retirement Administrator

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## C.2.c.4

### **MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA) FIDUCIARY LIABILITY INSURANCE AND CLAIMS REPORTING POLICY**

**ADOPTED: July 13, 2011**

**REVIEWED: November 5, 2014**

**REVIEWED: November 8, 2017**

**AMENDED: October 14, 2020**

#### **I. PURPOSE**

The Board of Retirement of MCERA ("Board") intends that, in connection with its consideration of whether to purchase, and/or to renew, a fiduciary liability insurance policy as permitted by Government Code section 7511 ("section 7511") and other applicable law, MCERA will comply with the policy set forth below.

#### **II. POLICY**

##### **A. Purchase or Renewal of Fiduciary Insurance Policy**

As soon as practicable, and preferably at least thirty (30) days, prior to the purchase or renewal period of any fiduciary insurance policy, MCERA's insurance broker, and if appropriate other insurance brokers, will present material information regarding options in proposed fiduciary insurance policies to the MCERA Retirement Administrator, who will review the present the information with Board Counsel and Insurance specialist and develop a recommendation to be presented to the Board of Retirement. to the Risk and Finance Committee for its information and direction. Such information will include, without limitation:

- A. Available coverage and exclusions;
- B. Cost of the premiums, including premium for waiver of recourse to be paid by trustees in accordance with section 7511 and other applicable law;
- C. Amount of deductibles and/or retention; and
- D. Control of defense provisions.

##### **B. Claims reporting**

As soon as practicable, and preferably at least thirty (30) days, prior to the expiration of the term of any fiduciary insurance policy held by MCERA, MCERA will confer with its broker and counsel to ensure that all covered claims and potential claims, if any, have been reported to MCERA's insurer. Staff will confirm its compliance with this claims reporting requirement to the Risk and Finance CommitteeBoard of Retirement.

In addition to foregoing, the Retirement Administrator will confer with counsel and, where appropriate MCERA's broker, with respect to potential or actual claims against MCERA, to ensure that prompt notice is provided to the insurer as may be required by MCERA's fiduciary insurance policy, if any.

#### **III. POLICY REVIEW**

The Board will review this Policy at least every three years to ensure that it remains relevant and appropriate. The Policy may be amended at any time by majority vote.

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### IV. RETIREMENT ADMINISTRATOR'S CERTIFICATE

I, Jeff Wickman, the duly appointed Retirement Administrator of the Marin County Employees' Retirement Association, hereby certify that this policy was ~~amended~~~~reviewed~~ and made effective by MCERA on ~~this \_\_\_\_ day of~~ \_\_\_\_\_-202017.

\_\_\_\_\_  
Retirement Administrator

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**MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)**

**PORTABLE ELECTRONIC DEVICE POLICY**

**ADOPTED: March 13, 2013**

**AMENDED: March 12, 2014**

**REVIEWED: May 6, 2015**

**AMENDED: May 4, 2016**

**AMENDED: May 10, 2017**

**REVIEWED: May 9, 2018**

**AMENDED: December 12, 2018**

**REVIEWED: January 8, 2020**

**AMENDED: October 14, 2020**

For purposes of this policy, "portable electronic devices" are defined to include cellular phones, personal digital assistants, laptops, e-readers, netbooks, notebooks or any other electronic device capable of displaying data or images.

**I. PURPOSE**

This policy is intended to set forth the authorization and limitations of use of MCERA portable electronic devices. In addition, this policy provides for the systematic review of the portable electronic devices.

**II. SCOPE**

These guidelines apply to all MCERA board members and staff.

**III. BACKGROUND**

MCERA board packet material is extensive. Copying, delivering and producing the packet material is costly and requires significant staff time that could be used on other MCERA business. MCERA would like to facilitate the electronic access and usage of documents by allowing board and staff to use MCERA portable electronic devices to retrieve, store, edit and read board meeting materials.

Portable electronic devices are a security risk because, being portable, they are at risk for loss, theft, or other unauthorized access, and they may contain confidential or privileged MCERA information, including, without limitation, private member and beneficiary information as well as confidential and proprietary information of alternative investment managers.

Email and other written communications by MCERA Board and staff members discussing or otherwise conducting MCERA business constitute public records that are subject to inspection unless protected by the California Public Records Act from disclosure. If personal devices are used for official communications, as the California Supreme Court concluded in the 2017 *City of San Jose v. Superior Court* decision, MCERA Board and staff members will be required timely

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to respond to requests for their email communications regarding MCERA business in response to any California Public Records Act requests for such communications.

### IV. POLICY

1. Board members and staff understand that their authorization to periodically use MCERA portable electronic devices, associated equipment and software (“MCERA portable electronic devices”) is limited to and for the sole purpose of conducting MCERA business. Board members and staff further understand that they have no expectation of personal privacy with regard to their use of such devices.
2. MCERA portable electronic devices are not solely assigned to individual Board Members and staff but are resources to be used on an as needed basis and will be rotated among Board Members and staff in accordance with MCERA’s business needs. MCERA is entitled to and will require such devices to be returned to MCERA for routine maintenance and to ensure that they are being used only in a manner that is consistent with this policy.
3. MCERA portable electronic devices are not for the personal use of the Board member or staff employee or any other person or entity. Board members and staff will not permit anyone else including, but not limited to, the Board member’s or staff’s family and/or associates, to use this MCERA property.
4. Any portable electronic devices purchased for use by MCERA will have security settings pre-established on the device before it is provided to trustees or staff for use. The security settings will protect the device, as much as possible, from unauthorized intrusions. Users of the portable devices should not modify security settings or add software to the device that has not been authorized by MCERA.
5. Board members and staff should consult with the MCERA Retirement Administrator prior to downloading ~~may not download~~ or installing any software onto any MCERA portable electronic devices ~~without prior authorization by the MCERA Retirement Administrator~~.
6. Board members and staff who have an assigned portable electronic device are responsible for the security of the device, all associated equipment and all data. Board members and staff must report any lost or stolen portable electronic equipment or data to the MCERA Retirement Administrator as soon as discovered.
7. Portable electronic devices may remotely access MCERA information maintained by Marin County on its network for MCERA’s use and work-related websites. Remote access will be maintained by the County as coordinated with MCERA.

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8. The Prohibited Uses of Electronic Media set forth in Marin County's Electronic Media policy are incorporated by this reference into this policy.
9. To the extent possible Board members and staff should use a secure WIFI connection to access information and avoid public locations or "hot spots."
10. MCERA Board and staff members will limit their discussions regarding, and other conduct of, MCERA business by email to their MCERA email accounts, which communications also shall comply with requirements of the Ralph M. Brown Act (e.g., no serial meetings). If MCERA Board or staff members discuss, or engage in other conduct of, MCERA business on their private (non-MCERA) email accounts, they will be required to respond substantively to MCERA staff within five (5) business days regarding any California Public Records Act request for such email communications.
11. Every Board and staff member must acknowledge in writing that he or she has read, understood and will comply with all terms of this policy before that individual may be provided with any MCERA portable electronic device.
12. This policy will also be added to those that are subject to annual Affirmation as to Key Policies by all Board members and certain staff members.

### **V. PORTABLE ELECTRONIC DEVICE REVIEW**

The electronic device will be reviewed by staff every three to five years to consider whether to recommend to the Board the upgrade of either the software or the hardware.

### **VI. POLICY REVIEW**

This Policy will be reviewed by the Retirement Board at least every year to ensure that it remains relevant and appropriate. The Policy may be amended from time to time by majority vote of the Board.

### **VII. RETIREMENT ADMINISTRATOR'S CERTIFICATE**

I, Jeff Wickman, the duly appointed Retirement Administrator of the Marin County Employees' Retirement Association, hereby certify the review-amendment of this Policy on \_\_\_\_\_, 2020.

\_\_\_\_\_  
Retirement Administrator

## C.2.d.1

### **MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION BOARD GOVERNANCE COMMITTEE CHARTER**

**Last amended: December 12, 2012**

**Last amended: November 5, 2014**

**Reviewed: November 8, 2017**

**Reviewed: October 14, 2020**

#### **INTRODUCTION**

The Board Governance Committee has been established to support the MCERA Board in promoting the best interests of MCERA, its active and retired members and beneficiaries through the implementation of sound Board governance policies and practices that enhance good, fair and open decision making.

#### **COMPOSITION**

The Committee will typically consist of three (3) to five (5) Board members who shall be appointed by the Chairperson of the Board. The Chairperson may, upon consultation with the full Board, appoint more than five (5) members to the Committee. The Chairperson may, but need not, appoint himself or herself to the Committee.

#### **MEETINGS**

The Committee shall meet twice per year otherwise on an as-needed basis as determined by the Committee Chair in consultation with the Chair of the Board and Retirement Administrator. Members of the Board who are not Committee members may attend Committee meetings as members of the public. In accordance with MCERA Bylaws, if a quorum of the Committee is not present for a particular meeting, such attending Board members who are not appointed members of the Committee may vote in an ex-officio capacity to establish a quorum.

#### **RESPONSIBILITIES**

The Board Governance Committee shall have the authority and responsibilities for the following:

1. To oversee the Board's development and compliance with Bylaws, Charters, and policies and recommend changes as appropriate.
2. To oversee the orientation process for new Trustees, including review of the Trustee Handbook.
3. To review the overall effectiveness of the Board and recommend improvements where warranted.
4. To receive input from the members, plan sponsors and other interested parties, including among others the Retirement Administrator and non-Committee Board members, as to suggestions for improving Board organization and functions.
5. To recommend the roles and responsibilities of the various committees of the Board.
6. To recommend changes in the structure of the Board meetings and the preparation of materials and records of Board actions.
7. To oversee the process for the periodic election of the MCERA Board trustees who are elected by members.
8. To work with staff and MCERA's engaged professional advisors, including counsel, to assist the Board in its governance activities. All communications with MCERA's professional advisors regarding this Committee's activities shall occur through the Retirement Administrator or this Committee's Chair.

## C.2.d.1

### AUTHORITY

All Committee actions must be ratified or adopted by the Board.

### CHARTER REVIEW

This Charter will be reviewed by the Board at least every three (3) years to ensure that it remains relevant and appropriate. The Charter may be amended from time to time by majority vote of the Board.

DRAFT



## C.2.d.2

### **MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION BOARD INVESTMENT COMMITTEE CHARTER**

**Approved by Investment Committee May 6, 2010**

**Approved by Board June 9, 2010**

**Amended by Board March 13, 2013**

**Amended by Board November 5, 2014**

**Reviewed by Board November 8, 2017**

**Reviewed by Board October 14, 2020**

#### **INTRODUCTION**

The Board Investment Committee has been established to administer all matters relating to the investment of MCERA's assets and investment management. The Committee is charged with investing MCERA's assets for the exclusive purpose of providing benefits to MCERA members and their beneficiaries within the system; and to maximize the financial stability of MCERA in an efficient and cost-effective manner. The Committee members will carry out their duties with the care, skill, prudence, and diligence of a prudent person acting in a similar institutional investment Board member capacity, and strive to follow sound policies and procedures that enhance good, fair, and open decision making.

The Committee's core objective is to diversify MCERA investments so as to minimize the risk of loss and to maximize the rate of return, in accordance with the Board's overall objective of promoting the best interests for MCERA, its members and their beneficiaries.

#### **AUTHORITY**

To consider and act on all matters relating to the MCERA investment portfolio; and to select and oversee the work of MCERA investment staff; and to engage investment advisors; consultants, managers and counsel as necessary, to assist the Committee in carrying out its responsibilities. The Committee will not authorize any proposed investment that does not go through MCERA's due diligence process or is not reviewed by MCERA's professional staff and outside advisors.

#### **COMPOSITION**

The Committee shall be composed of all Board members. Alternate Board members shall be counted for purposes of (i) determining a quorum, and (ii) voting, only in the absence from the meeting of the Board member for whom they are the alternate Board member.

#### **MEETINGS**

The Committee will generally meet every other month on the day following each regularly scheduled Board meeting and otherwise on an as-needed basis as determined by the Committee Chair in consultation with the Chair of the Board.

#### **RESPONSIBILITIES**

The Investment Committee shall have responsibility for the following:

## C.2.d.2

1. Determining MCERA's overall investment objectives, risk tolerance and performance standards in accordance with the California Constitution and the County Employees Retirement Law of 1937.
2. Determining the asset allocation of MCERA, including consideration of asset classes and sub-classes not currently utilized in MCERA.
3. Determining the overall MCERA Investment Policy as well as asset class and program investment policies.
4. Monitoring the performance of the investment portfolio as a whole as well as the performance of each asset class, including the performance of internal and external investment managers, and reviewing periodic reports from investment staff as well as external consultants, advisors, and investment managers.
5. Determine appropriate levels of staff delegation with respect to investment transactions in the various asset classes of MCERA.
6. Determine and assess compliance with the MCERA's corporate governance policy in an effort to protect MCERA assets through the pursuit of good governance and operational accountability.
7. Determining the relative amount of internal and external management.
8. Monitoring the direct and indirect costs of each asset category.
9. Determining and assessing compliance with the appropriate reporting standards and time horizons.
10. Identifying and discussing potential legislation related to investments.
11. Assessing that MCERA investments are made in conformance with applicable investment policies and investment resolutions.
12. Determining the procedures for the selection of MCERA investment staff, including an Investment Analyst and/or Chief Investment Officer, if and when appropriate.

### CHARTER REVIEW

This Charter will be reviewed by the Board at least every three (3) years to ensure that it remains relevant and appropriate. The Charter may be amended from time to time by majority vote of the Board.

[View online](#)

C.3.a



September 30 - October 2, 2020 | Virtual Conference

## Nossaman's 2020 Public Pensions and Investments Fiduciaries' Forum

Registration is now open for **Nossaman's 2020 Public Pensions and Investments Fiduciaries' Forum**, which is pivoting to a virtual format this year to ensure the health and safety of the members of our public pensions plan community. We are spreading our educational programming over three consecutive days to encourage learning, networking and the sharing of best practices with your peers. Given that this conference will be virtual, we are providing this year's program at no charge and limiting attendance to Nossaman clients.

Please join us for the following thought-provoking sessions:

**Wednesday, September 30 | 3:00 - 5:00 p.m. PT**

**Litigation Impacting the Operation of Public Pensions Systems**

Ashley Dunning, Peter Mixon and Aalia Taufiq will review the California Supreme Court ruling in the Alameda case concerning the parameters of the "California Rule," along with other recent and anticipated rulings that will affect how trustees and staff administer their retirement systems.

**Thursday, October 1 | 3:00 - 5:00 p.m. PT**

**Investment Considerations for Public Plan Investment Officers**

Yuliya Oryol, Peter Mixon, Doug Schwartz and Courtney Krause will address various business,

## C.3.a

legal and governance issues facing investment officers, with an emphasis on alternative investments.

**Friday, October 2 | 3:00 - 5:00 p.m. PT**

### **Administrative Issues Facing Fiduciaries**

Jim Vorhis, John Kennedy, Allison Callaghan and Ashley Dunning will explore evolving topics for retirement systems in the areas of insurance, employment law and system governance, including how to identify and address real and potential conflicts of interest.

**Friday, October 2 | 5:00 - 6:00 p.m. PT**

### **Virtual Happy Hour**

Please bring your drink of choice to this interactive social hour to conclude our 2020 Fiduciaries' Forum.

We hope that trustees (less than a quorum for each session), executive staff, investment officers and in-house counsel of retirement system clients will be able to join us.

**REGISTER**

**Questions?** Please contact Jessica Ku at [jku@nossaman.com](mailto:jku@nossaman.com) or 949.477.7667.



**Ashley Dunning**

Public Pensions & Investments Group  
Co-Chair



**Yuliya Oryol**

Public Pensions & Investments Group  
Co-Chair



### C.3.b Other Comments

This is a discussion with no backup.

CONFIDENTIAL DISABILITY MATTER

**DANIEL  
MARRETT**

CONFIDENTIAL DISABILITY MATTER

LORI  
MARZIANO

CONFIDENTIAL DISABILITY MATTER

Confidential Matter  
Nossaman Memo  
Agenda Item F.1

MCERA Board Meeting  
October 14, 2020

Recusals:  
Maya Gladstern and Phillip Thomas



**MCERA BOARD MEETING CALENDAR for 2021****Draft for October 14, 2020 Board Meeting**

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
<b>BOARD</b>	13	10	10	14	5	9	14	11	8	13	3	8
<b>INVESTMENT COMMITTEE</b>	20		17			16			16			15
<b>AUDIT COMMITTEE</b>				7			7			27		
<b>FINANCE COMMITTEE</b>			3		19			18			17	
<b>GOVERNANCE COMMITTEE</b>				21						6		
<b>STRATEGIC WORKSHOP</b>				27-28						26-27		



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*Fax (admin)* 415 473-4179  
*MCERA.org*

October 9, 2020

To: Members of the Board of Retirement  
Marin County Employees' Retirement Association (MCERA)

From: Jeff Wickman  
Retirement Administrator

Subject: State Association of County Retirement Systems (SACRS) Business Meeting November 14, 2020

### **Background**

Originally scheduled to be an in-person conference, the 2020 SACRS Fall conference will transition to a virtual format. SACRS will hold their semi-annual business meeting at the end of the Conference on November 14, 2020. At the Business Meeting voting delegates from the member systems (including MCERA) will be asked to provide direction on the following items:

- Secretaries report - Minutes from Fall 2019
- Treasurers report – Financials and Annual Budget
- Audit Committee – Annual 2019-2020 Financial Audit
- Bylaws Committee – Bylaw Amendments

### **Recommendation**

Staff recommends the Board delegate authority to vote on MCERA's behalf at the SACRS Business meeting to a Board Member or the Retirement Administrator. The material for the Business Packet are included for review and discussion as a separate item on the Board's November 4, 2020 meeting agenda

### G.3 Future Meetings

This is a discussion with no backup.

**H.1  
MCERA  
CONFERENCE AND TRAINING CALENDAR  
October 2020**

Block	Cooper	Given	Gladstern	Jones	Klein	Murphy	Poirier	Shaw	Silberstein	Thomas	Werby	Wickman	Hardesty	Dunning	DATE	APPROVED	SPONSOR	PROGRAM	LOCATION
★				★		★				★		★			9/30/20-10/2/20	*	Nossaman	Fiduciaries' Forum	Virtual
															10/13-15/20	*	Callan	Introduction to Investments	Virtual
						★									10/23/20	*	CalAPRS	Trustees' Round Table	Virtual
															10/23/20	*	CalAPRS	Administrative Assistants' Round Table	Virtual
															10/30/20	*	CalAPRS	Information Technology Round Table	Virtual
															11/4-6/20	*	CalAPRS	Intermediate Course in Retirement Plan Administration	Virtual
															11/10-13/20	*	SACRS	Fall Conference	Virtual
															11/16-19/20		Committee on Workers' Capital	2020 Conference	Virtual
															11/16-20/20	**	Wharton	Investment Strategies & Portfolio Management	Virtual
															12/2-4/20	*	CalAPRS	Advanced Course in Retirement Plan Administration	Virtual
												★			3/6-9/21	*	CalAPRS	General Assembly	Monterey, CA
															3/8-10/21	*	CII	Spring Conference	Washington, DC
															3/31/21-4/2/21	*	CalAPRS	Advanced Principles of Pension Governance for Trustees	Los Angeles, CA
															5/11-14/21	*	SACRS	Spring Conference	Long Beach, CA
															5/23-26/21	*	NCPERS	Annual Conference	Denver, CO

# H.1

Block	Cooper	Given	Gladstern	Jones	Klein	Murphy	Poirier	Shaw	Silberstein	Thomas	Werby	Wickman	Hardesty	Dunning	DATE	APPROVED	SPONSOR	PROGRAM	LOCATION
															6/21-23/21	*	Callan	National Conference	San Francisco, CA
															9/22-24/21	*	CII	Fall Conference	Chicago, IL

\*Pre-approved events: CalAPRS; Callan; CII; Nossaman LLP; NASRA; SACRS – \*\* Board-approved events – **New event or attendee**

CALLAN

Callan College  
<http://www.callan.com/education/college>  
 Callan investment Institute  
<http://www.callan.com/education/cii/conferences.asp>

NASRA

National Association of State Retirement Administrators

SACRS

State Association of County Retirement Systems  
<http://www.sacrs.org>



## **CWC 2020 Virtual Workers' Capital Conference**

The CWC 2020 Workers' Capital Conference will be held virtually from **November 16-19, 2020**. The virtual conference will consist of four sessions, each running for approximately 90 mins per day. Session topics include:

- How do asset managers view and incorporate workers-backed evidence in public equities?
- Racial justice and the stewardship of workers' capital
- Tools and examples to hold asset managers accountable
- An interactive brainstorming session on CWC 2021 priorities

**CONSENT CALENDAR**

**MCERA BOARD MEETING, WEDNESDAY, October 14, 2020**

**September 2020**

<b>RETURN OF CONTRIBUTIONS</b>
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Zongar Johnson	Full Refund - Termination	\$	3,417.04
Joseph Jordan	Partial Refund - Correction	\$	713.47

<b>BUYBACKS</b>
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Steve White	\$	7,173.17
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<b>RESCINDED RETIREMENTS</b>
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Michael Gadoua	County of Marin - Child Support Services
Teresa Yamanoha	County of Marin - Sheriff/Coroner

<b>NEW RETIREES</b>
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Celia Allen	County of Marin - Health & Human Services
Brian Auger	City of San Rafael
Lynne Bracken	City of San Rafael
Stacy Carlsen	County of Marin - Agricultural Weights & Measures
Brian Crawford	County of Marin - Community Development Agency
Kerrie Desbiens	County of Marin - Health & Human Services
Diane Dillon	City of San Rafael
Suporn Lin	City of San Rafael
Jennifer Lueder	County of Marin - DRO
Gregory Mobley	County of Marin - Public Works
Amy Reisch	County of Marin - Children & Families Commission
Andrew Roberts	County of Marin - Sheriff/Coroner
Yihew Sahlemariam	City of San Rafael
Teressa Snyder	County of Marin - Library
Larry Trafford	County of Marin - Health & Human Services
Mabel Turrini	County of Marin - District Attorney
Rudolph Yamanoha	County of Marin - Sheriff/Coroner
Kristine Yoder	County of Marin - Sheriff/Coroner

<b>DECEASED RETIREES</b>
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Barbara Butler	City of San Rafael
Edmond Henry	County of Marin - Community Development Agency
Lavina Hinerman	County of Marin - Beneficiary
Margaret Levine	County of Marin - Health & Human Services
Elizabeth Rohrs	City of San Rafael - Beneficiary
Paul Sasse	City of San Rafael
Alva Shine	County of Marin - Elections
Warren Taylor	City of San Rafael
Peter Valconesi	County of Marin - Fire