

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

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

July 14, 2021 – 9:00 a.m.

This meeting will be held via videoconference 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.

Instructions for watching the meeting and/or providing public comment, as well as the links for access, are available on the [Watch & Attend Meetings](https://www.mcera.org/retirementboard/agendas-minutes/watchmeetings) page of MCERA's website. Please visit <https://www.mcera.org/retirementboard/agendas-minutes/watchmeetings> for more information.

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

June 9, 2021 Board meeting

June 16, 2021 Investment Committee meeting

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. BOARD OF RETIREMENT MATTERS

1. Administrator's Report
 - a. Administrator's Update
 - b. Business Objectives Review
 - c. Staffing Update
 - d. Facility Use Report
 - e. Future Meetings
 - August 4, 2021 Audit Committee
 - August 11, 2021 Board
 - August 18, 2021 Finance and Risk Management Committee
2. Trustee Comments
 - a. Educational Training: Reports by Trustees and Staff
 - b. Other Comments

C. NEW BUSINESS

1. Investment Policy Statement Updates (Action)

Consider and take possible action on recommended amendments to Investment Policy Statement re:

 - a. General Investment Objectives and Guidelines, Equity Portfolios: Change Domestic Equity Portfolio, Large Cap Stocks from S&P 500 Index to Russell 1000 Index.
 - b. Appendix B-1, State Street Global Advisors, Statement of Objectives, Guidelines & Procedures: Change S&P 500 Index to Russell 1000 Index.

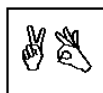
D. OTHER INFORMATION

1. Training Calendar (Action)

E. 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, or by phone at (415) 473-6147.

MCERA is committed to assuring that its public meetings are accessible to persons with disabilities. If you are a person with a disability and require an accommodation to participate in a County program, service, or activity, requests may be made by calling (415) 473-4381 (Voice), Dial 711 for CA Relay, or by email at least five business days in advance of the event. We will do our best to fulfill requests received with less than five business days' notice. Copies of documents are available in alternative formats upon request.

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

For consideration at July Board meeting

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

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June 9, 2021 – 9:00 a.m.

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EVENT CALENDAR 9 a.m. Regular Board Meeting

CALL TO ORDER

Chair Silberstein called the meeting to order at 9:03 a.m.

ROLL CALL

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

ABSENT: None

MINUTES

It was M/S Gladstern/Murphy to approve the May 5, 2021 Board Meeting Minutes as submitted. The motion was approved by a vote of 9-0 as follows:

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

It was M/S Murphy/Gladstern to approve the April 27-28, 2021 Strategic Workshop Minutes as submitted. The motion was approved by a vote of 9-0 as follows:

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

For consideration at July Board meeting

A. OPEN TIME FOR PUBLIC EXPRESSION

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Amanda Tomlin, librarian at Marin County Free Library, said she is applying for the vacant 3rd General Member seat on the Board.

B. BOARD OF RETIREMENT MATTERS

1. Administrator's Report

a. Administrator's Update

Retirement Administrator Jeff Wickman reported today is the due date to submit nomination forms for the elections for the 3rd General Member position and 8th Retired and Alternate Retired Member positions. Two individuals, Maya Gladstern and Adam Brolin, turned in nomination forms for the Retired Member position. Dorothy Jones submitted a nomination form for the Alternate Retired Member position.

Mr. Wickman reported on the timing of returning to in-person meetings. Information has been communicated to other local government employers that Executive Order N29-20 will not terminate on June 15 when the Blueprint is scheduled to terminate. Notice will be provided to affected stakeholders in advance of rescission of this provision to provide state and local agencies and boards time necessary to meet statutory and logistical requirements.

The Administrator reported an uptick in leasing activities for Suites 150 and 175 at One McInnis Parkway. MCERA held a one-day open house for brokers from throughout the North Bay with good attendance and positive feedback.

Beginning this week the first pilot employer audit program is starting. The Administrator thanked Project Leader Lisa Jackson and Assistant Retirement Administrator Michelle Hardesty for their work to get the program ready and in place.

b. Staffing Update

There is an active recruitment for a Senior Accountant.

For consideration at July Board meeting

c. Facility Use Report

No facility use in the period to report.

d. Meetings

- June 16, 2021 Investment Committee
- July 7, 2021 Audit Committee (since moved to August 4, 2021)
- July 14, 2021 Board

2. Standing Committee Reports

a. Finance and Risk Management Committee

1. Administrative Budget Fiscal Year 2020/21 Quarterly Review

Consider and review expenses for quarter ending March 31, 2021

Finance and Risk Management Committee Chair Todd Werby reported on expenditures as of March 31, 2021, the third quarter of the 2020/21 fiscal year. Total Administrative expenses were 68.8% of the budgeted amount for the fiscal year to date, primarily due to open positions. For the quarter ending March 31, 2021, Salaries and Benefits expenses were 20.5% of the budgeted amount due to vacancies, and Services and Supplies were 27.9% of the budgeted amount due to bank services, annual insurance and other services, and higher depreciation.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

The Committee reviewed non-budgeted expenses which included an \$85,000 payment to investment consultant Callan for private credit manager due diligence.

3. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

Educational and event-related expenses were for trustees to attend the CalAPRS General Assembly and the Administrator to attend the SACRS Spring Conference. Staff attended CalAPRS Benefits and Accountants' Round Tables and professional accountant's training.

b. Continuing Trustee Education Log

The Continuing Trustee Education Log shows good progress for all trustees in meeting the 24 hours of education required.

c. Other expenses per Checklist Guidelines

The Committee reviewed credit card expenditures.

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

See discussion above.

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- e. Vendor services provided to MCERA

No report.

- f. MCERA staffing status

See above.

- g. Internal controls, compliance activities and capital calls

Total private equity program distributions to MCERA from July 1, 2020 through March 31, 2021 were \$57.5 million and total capital calls sent to managers were \$20.9 million. During the quarter MCERA sent capital calls to one opportunistic manager and received \$5.8 million in real estate dividends.

Linea Secure was engaged to work with staff to develop a suite of policies to manage internal and external cybersecurity controls. The project is expected to take longer than the original June 30th due date.

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

No report.

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

No report.

4. Administrative Budget for Fiscal Year 2021/22 (Action)

Consider and take possible action on Finance and Risk Management Committee's recommendation to adopt administrative budget for the next fiscal year

Finance and Risk Committee Chair Werby reported the Committee recommends that the Board adopt the Administrative Budget for Fiscal Year 2021/22 as presented. The motion was approved by a vote of 9-0 as follows:

AYES: Block, Cooper, Given, Gladstern, Klein, Murphy, Poirier, Silberstein, Werby

NOES: None

ABSTAIN: None

ABSENT: None

5. Cash Management

Consider and discuss cash management process

The Administrator reviewed MCERA's cash management processes. As part of the Asset/Liability Study Callan will be assessing liquidity and cash needs to determine if there are any issues.

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

Brown Armstrong is going to begin the annual audit in May.

3. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Trustee Gladstern reported the first session at the CalAPRS Trustees' Roundtable on "Public Pension Reform: Lessons from Canada for the U.S." was a broad discussion. She learned that in Canada the average public pension system investment return assumption is 5.6%. During the "Understanding the Role of Public Pension Funds in Shareholder Litigation and Other Options for Exercising Shareholder Rights" session there were suggestions to set a soft loss threshold and when switching custodians to ensure there is coverage for filing claims. There was discussion around the Morrison decision, which had to do with lawsuits having to be filed where a corporation is based.

Chair Silberstein also attended the Trustees' Round Table and reported the lower discount rate of Canadian public pension funds results in more being paid by employer and employee contributions. He said that having a large part of funding from investments results in more volatility in the funded ratio. Europeans also use lower discount rates and more funding from employees and government, and pension plans are more centralized. In California, the Cost of Living Adjustment (COLA) is not related to investment performance, whereas in some states there is no COLA unless investments perform well. Trustee Silberstein added that in Quebec the pension board has other goals such as to take part in the economic development of the Province.

Trustee Gladstern attended the SACRS Spring Conference and reported during the first General session there were suggestions to read *No Filter, Bad Blood*, and *AI Superpowers: China, Silicon Valley, and the New World Order* regarding China public and private equity markets. During the Legislative Committee update she learned there are three bills currently in the legislature that address the future of virtual meetings. Assembly Bill 845 proposes a Covid presumption for service-connected disability if acquired on the job that would be refutable.

Mr. Wickman also attended the SACRS Conference, reporting that Keynote Speaker David Kelly from JP Morgan said there is value in value stocks and emerging markets. Mr. Kelly also said the Federal Reserve should be careful about setting markets because the fall could be damaging. A panel of Chief Investment Officers (CIOs), Daryn Miller from Kern County Employees' Retirement Association, Steve Sexauer from San Diego County Employees Retirement Association, and Steve Davis from Sacramento County Employees' Retirement System, were concerned that current high returns may take away from future returns. The three said that traditional 60-40 portfolios (60% equity and 40% bonds) are projected to have lower returns in the future and they believe that inflation will be transitory. David Rubenstein of Carlyle said his biggest concern was the challenges of trying to address growing income inequality. He also said so much liquidity encourages risk taking. Moderator Seema Hingorani of Morgan Stanley and

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the founder of *Girls Who Invest* presented the “Diversity, Equity and Inclusion” session. Ms. Hingorani said the program’s *30 by 30* goal is to have 30% of the world’s investable capital managed by women by 2030. The last session “How California Is Leading the Revolution in Sustainable Energy and the Future of Transportation” was moderated by consultant Steve Westly. He spoke about sustainable energy, pointing out the substantial growth of lithium ion plants from 2 to 192 over the last 10 years. Mr. Westly predicts that in the future most automobiles will be owned by fleet companies and Bitcoin will become the new coal as it uses a lot of energy.

Board Counsel Ashley Dunning said the focus of the agenda for the CalAPRS Attorneys’ Round Table was to have an open discussion about various legal issues for retirement systems as we come out of the pandemic. The first discussion was about public board meetings and the dynamics during virtual meetings, notably how to get public comment effectively. There were different iterations about how boards have handled public comment on non-agendized and agendized topics. The California Governor’s office has reassured local agencies that there will be notice provided to allow for a planned transition back to normal Brown Act rules, which had to be suspended during the pandemic. In discussions on return to work rules for staff, some observations were that successful approaches in saving money or being generally more efficient may be retained. These include conducting investment manager interviews by teleconference and providing member counseling with virtual conferences or only on particular days. Regarding operations, systems vary as to how many staff will return to the office or work remotely. For disability hearings, some systems would like to keep new procedures, including allowing for some telemedicine with Independent Medical Examiner (IME) exams, virtual hearings to make scheduling simpler, and transmitting medical records to physicians electronically.

Systems are modifying policies and approaches around digital signatures. Some systems have made amendments to regulations and some have modified policies. In order to address public health concerns some systems have made renovations on heights of cubicles. Many systems are upgrading video capabilities to stream public meetings and potentially to take public comment from remote locations, and have presenters present through those video platforms.

b. Other Comments

There were no other comments.

C. NEW BUSINESS

1. Election to fill Board Officer Vacancy (Action)

Consider and take possible action on nominations for Vice Chair

Mr. Wickman said Trustee Thomas, who recently retired as the 3rd General Member, had been the Vice Chair. In accordance with the Election and Duties of Board Officers Policy the Board is to elect a replacement for the Vice Chair position.

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It was M/S Gladstern/Murphy to nominate Todd Werby to serve as Vice Chair for the remainder of the term of office following the November 3, 2021 Board meeting.

The Chair invited other nominations or discussion on the motion.

The motion was approved by a vote of 8-0-1 as follows:

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

Chair Silberstein congratulated Trustee Werby on being elected Vice Chair and said he looks forward to his additional service on the Board.

2. MCERA's Funding Policy

Consider and discuss the potential development of a standalone Funding Policy for MCERA

Mr. Wickman stated at the May 5, 2021 Board meeting there was a request to agendize the Board's funding policy. He said historically the Board has used the Actuarial Valuation as its funding policy. The funding methodologies and practices are captured in the Actuarial Valuation. In doing research on other County Employees Retirement Law (CERL) systems, he found some have separate funding policies that extrapolate information from the Valuation report. He observed there would need to be an annual review of a funding policy to keep it up to date. The discussion today is whether to direct the Governance Committee to consider developing a separate funding policy to be returned to the Board for final action.

Counsel Dunning advised that funding from all participating employers and members varies based on both legal requirements and policy and contractual relationships that have developed over the years that would need to be reflected in a separate funding policy.

Trustee Block said the CalPERS funding policy, for example, is relatively simple and addresses primarily amortization payments due from employers. The reason he feels a funding policy is important is that the Actuarial Valuation and Experience Study reflect that the Board has adopted a funding policy. By having a separate funding policy, users or stakeholders would be able to go directly to the policy.

Trustee Gladstern asked if MCERA's current policy regarding economic assumptions could be modified as part of a funding policy and Mr. Wickman said he could take that approach. Trustee Cooper offered to place the matter on the next Governance Committee meeting agenda and the Administrator confirmed this will be done.

3. Future Meetings

Consider and discuss agenda items for future meetings

Trustee Block recommended the book *Noise* to the trustees which specifies a protocol as a way of eliminating noise in the Board's decision making. He said one valuable insight in

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Noise is that the aggregation of expert judgment improves decision-making accuracy. Chair Silberstein recommended an article in the last issue of the *New Yorker* magazine on ransomware hackers which the Administrator will send to the Board members.

D. OTHER INFORMATION

1. Training Calendar (Action)

Mr. Wickman highlighted changes in meetings on the Training Calendar.

It was M/S Werby/Gladstern to approve the Training Calendar as submitted. The motion was approved by a vote of 9-0 as follows:

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

E. CONSENT CALENDAR (Action)

The monthly Consent Calendar was presented to the Board for consideration. Trustee Werby asked about the age change. In response, Mr. Wickman explained classic members have age-based contribution rates and there are occasions when staff discover that the initial age-based rate needs to be changed. This typically happens after MCERA receives validation of the correct age of entry from the member's prior reciprocal employer.

It was M/S Werby/Murphy to approve the Consent Calendar as submitted. The motion was approved by a vote of 9-0 as follows:

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

CONSENT CALENDAR

MCERA BOARD MEETING, WEDNESDAY, JUNE 9, 2021

May 2021

RETURN OF CONTRIBUTIONS			
Elia Lawatsch	Full Refund - Termination	\$	11,894.80
Fred Marziano	Partial Refund - 30 year overpayment	\$	5,196.05
Anthony Schweitzer	Full Refund - Termination	\$	3,153.72
Steve Wilbur	Partial Refund - Age change	\$	4,556.43

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BUYBACKS		
Ian Adams		\$ 22,183.72
David T. Chavez		\$ 3,942.88
Guy Crow		\$ 7,791.90
Raquel Heraldez		\$ 22,500.00
Scott Pedersen		\$ 51,728.78
Catherine Quffa		\$ 12,624.66

NEW RETIREES		
Bruce Abbott	County of Marin - Assessor-Recorder-County Clerk	
George Bernheim	County of Marin - Sheriff/Coroner	
Andrea Salas	County of Marin - Sheriff/Coroner	
Brian Scott	County of Marin - Public Works	
Phillip Thomas	County of Marin - Public Works	
Laurie Thompson	County of Marin - Library	
Laura Turrini	County of Marin - Information Services & Technology	
Beverly Wood	Marin County Superior Court	

DECEASED RETIREES		
Albert Aramburu	County of Marin - Board of Supervisors	
Robert Beedle	County of Marin - Fire	
Joanne Buckwalter	County of Marin - Probation	
Enes Lonsway	County of Marin - Health & Human Services	
Glee-Caroline Murphy	County of Marin - Beneficiary	
Sol Silver	County of Marin - Community Development	

There being no further business, Chair Silberstein adjourned the meeting at 10:14 a.m.

Jeff Wickman, Retirement Administrator

On behalf of:
Steve Silberstein, Board Chair

Michelle Hardesty, Assistant Retirement Administrator

On behalf of:
Laurie Murphy, Secretary

For consideration at July Board meeting

MINUTES

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

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

June 16, 2021 – 9:00 a.m.

This meeting was held via videoconference 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 and provide comment through Zoom.

CALL TO ORDER

Chair Klein called the meeting to order at 9:02 a.m.

ROLL CALL

PRESENT: Block, Cooper, Given, Gladstern, Jones (alternate retired), Klein, Murphy, Poirier (alternate safety), Silberstein, Thomas, Werby

ABSENT: Shaw (ex officio alternate)

A. OPEN TIME FOR PUBLIC EXPRESSION

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No members of the public provided comment.

B. MANAGER REPORTS

1. Manager Overview – Jim Callahan, Callan LLC

Jim Callahan, President of Callan LLC, said KBI Global Investors manages the natural resources investment, a component of the real assets portfolio, presented today for review.

2. KBI Global Investors Ltd – Global Resources Solutions Equities – Noel O’Halloran, Simon Padley

Simon Padley, Senior Vice President for Business Development and Client Services with KBI Global Investors Ltd., introduced Noel O’Halloran, Lead Portfolio Manager, Director, and Chief Investment Officer for the Global Resources Solutions Strategy. Mr. Padley reported that sustainable natural resources assets under management for the firm have grown significantly. He said there are multiple-decade tailwinds in the space including supply, infrastructure, and significant technological developments. The firm fully integrates Environmental, Social, and Governance (ESG) into stock pricing models and how the portfolio is constructed. The portfolio has a significant impact in achieving United Nations Sustainability Goals and solutions to climate change issues, such as desalination and wind energy. Proxies are voted in a sustainable manner based on ESG guidelines and analysts have been added to deepen the team. As of March 31, 2021, the Global Resources Solutions Equities fund has a 14.6% net-of-fees annual return since inception in September 2016.

Mr. O’Halloran said performance over the past five years has been good for the strategy which is outperforming the S&P Global Natural Resources Index benchmark. He explained that the first goal is to achieve alpha through good stock picking over time. Secondly, the strategy looks to future technologies and services driving the transition to a more sustainable economy that are expected to continue. There is a strong thesis that existing investments in natural resources such as fossil fuels involve risk and may be mispriced. As a result the portfolio invests in sectors such as clean energy, water infrastructure, and a broader agricultural solutions set that have worked well in recent years. The Portfolio Manager emphasized the differences of the portfolio strategy and holdings from the S&P Global Natural Resources Index, which is dominated by metals and mining, and oil and gas. The portfolio has no exposure to fossil fuels.

Headwinds along the way include the China trade issue and the Covid-19 crisis. Relative performance during oil price hikes is getting better, which Mr. Halloran demonstrated with data showing the cost competitive advantages of clean energy. This year the strongest component of the portfolio has been agribusiness, which is correlated particularly to soft commodity inflation. Mr. O’Halloran said inflation in energy costs further improves investment in renewables and energy efficiency measures, and the portfolio is well positioned for more inflation. Clean energy has been the best performing sector since the inception of the strategy.

Mr. O’Halloran provided details on individual companies in different sectors, noting that China’s focus on clean water is benefiting portfolio holdings. One firm, Trimble, is an industry leader in navigation systems for tractors to allow more precise use of land. Reviewing diversification metrics, Mr. O’Halloran said the U.S represents 37.3% of the

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portfolio and Europe and emerging markets together represent about 48% in close to equal measures each. The portfolio is also diversified across capitalization and value versus growth companies.

In summary, Mr. O'Halloran said currently the biggest sector weighting is energy efficiency, including smart grid and lithium batteries. He said portfolio valuations compare favorably relative to benchmarks and discussed long-term supporting trends that are getting stronger in terms of money spent. Short-term factors supporting the portfolio include fiscal stimulus and Green Deal spending.

Trustee Gladstern asked if there is an improved benchmark for the portfolio. Mr. Padley replied the S&P Global Natural Resources Index is the common one to use and Mr. Callahan agreed. Chair Klein asked about companies addressing severe drought around the world. Saying the recognition of the need for improved infrastructure is important, Mr. O'Halloran replied that many companies provide pumps and valves that would be used in the solution of proper water storage. The other focus is on water reuse; for example, Barcelona drinking water is reused ten times. He explained that desalination is energy intensive and has environmental issues. Mr. Padley noted Los Angeles is focusing on water reuse, emergency water, and infrastructure investments.

C. NEW BUSINESS

1. Domestic Equity Portfolio (Action)

Consider and take possible action regarding small cap tilt in the domestic equity portfolio

Mr. Callahan discussed the small cap tilt in the domestic equity portfolio. He said current allocations for the domestic equity portfolio are 70% in the S&P 500 and 30% in the Dimensional Fund Advisors (DFA) small cap core equities. Deviations from the benchmark are driven by a significant overweight to small cap stocks versus the benchmark Russell 3000 Index. Mr. Callahan said the question is whether this overweight is still appropriate and whether to reduce it.

The Investment Consultant stated that the rationale for the small cap overweight is research going back to the 1920's showing small cap equities outperform large cap over time. Additionally, small caps are not covered as extensively as large caps, so active management can be more effective in achieving alpha. Mr. Callahan stated the time frame needed to achieve the historical norm is 30 years, and small cap underperformance can last for extended periods of time. Some argue that the period used for the research on small cap performance was distorted because small cap access and liquidity was relatively minimal in years past as compared with today. Other factors affecting relative small cap performance are the explosion of exchange-traded funds (ETFs) and online brokerage services.

Mr. Callahan's said he is comfortable maintaining a small cap bias but at a reduced level of 20% of the domestic equity portfolio, which is a typical allocation for peers. Noting that reasons seem to relate to market inefficiencies, Trustee Block asked if there are economic reasons why small companies would have more income than larger companies. Mr. Callahan replied that would depend on the industry. As to his further question of whether small companies have greater opportunities, Mr. Callahan replied it is difficult to

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generalize about that across industry sectors and there are smaller companies that can generate good returns.

Trustee Silberstein asked if reducing the DFA allocation and moving the S&P 500 to the Russell 1000 would include more mid cap equities and Mr. Callahan confirmed this would be the case. Trustee Silberstein observed that since small caps have outperformed in the twelve months ending March 31, 2021, now would be a good time to reduce the small cap allocation. Since then the small cap outperformance has repressed considerably, Mr. Callahan said.

It was M/S Gladstern/Silberstein to reduce small cap equities to 20% of the domestic equity portfolio and change the S&P 500 portfolio to the Russell 1000, transitioning the small cap portfolio to large cap in multiple stages over an appropriate time frame based on conversations with Dimensional Fund Advisors.

Mr. Callahan said making the transition in steps would allow for managing transaction costs, and the large cap portfolio would be easier to transition. Trustee Block asked if this recommendation is based on governance risk or the outlook on small cap performance. Mr. Callahan replied it is not driven by an outlook on small cap stocks but by the added volatility to the Fund by having the small cap overweight. He said it is also a combination of governance in someone making a wrong timing decision, but the added volatility from a larger allocation to small cap is the concern. Trustee Block asked if we have been adequately compensated for the small cap tilt given the risk. Mr. Callahan replied with a small cap allocation between 20 to 30% MCERA is getting paid for the risk; below a 20% small cap allocation, the Sharpe ratio starts to deteriorate meaning MCERA would not be paid for the risk.

Trustee Werby indicated the long-term perspective on small cap outperformance may still be valid. Mr. Callahan said that is a fair counterpoint; however, the composition of the small cap portfolio was different when the allocation was increased to 30%, whereas now the DFA strategy is not by fundamental company research but broad diversification according to style and value. Trustee Murphy supported Trustee Werby's view, including his concern about large cap FAANG (Facebook, Apple, Amazon, Netflix, and Google) stocks. Trustee Block asked what percentage of the total equity portfolio is in small cap stocks, and Mr. Callahan replied in aggregate 12 to 14% of total Fund assets is in smaller companies.

Trustee Cooper made an alternative motion to reduce small cap equities from 30% to 25% of the domestic equity portfolio and increase large cap domestic equities to 75%, changing the S&P 500 portfolio to the Russell 1000 and transitioning the small cap portfolio in multiple stages over an appropriate time frame based on conversations with Dimensional Fund Advisors. Trustee Block seconded the motion. The motion was approved by a vote of 8-1 as follows:

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

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2. Investment Policy Statement Updates (Action)

Consider and take possible action on recommended amendments to Investment Policy Statement re:

Mr. Wickman presented updates to the Investment Policy Statement for consideration by the Committee. Along with the addition of new Opportunistic managers, other updates were made as a result of taking a holistic view of the policy. These include clarifying the Board's role versus the Investment Committee's role and updating private equity and proxy voting provisions.

Counsel Dunning explained updates reflect the way the Board has delegated investment responsibilities to the Investment Committee under its Charter. In addition, on some occasions the Governance Committee will consider matters that would go back through the Board rather than the Investment Committee. Mr. Wickman said edits in the Proxy Voting section align with the hiring of Institutional Shareholder Services (ISS) to vote proxies on MCERA's behalf for the Dimensional Fund Advisors and State Street Global Advisors portfolios. Trustee Block said it would be better practice to limit proxy voting provisions to the Proxy Voting and Governance Policy, and Trustee Poirier supported his view so the policies both align. Mr. Wickman agreed the Proxy Voting section can be amended just to reflect that proxy voting is governed by the related policy.

Anne Heaphy, Senior Vice President with Callan, explained other updates include delineating between public and private market managers. She said the private equity section was modernized to reflect guidelines more in line with what the managers are doing. For example, co-investments and secondaries were increased from 20 to 35% and the life of private equity vehicles was extended to 15 years from 12 years. Also, private equity managers have moved to annual programs for raising funds. The Opportunistic allocation phrasing is broad since guidelines are provided in the fund documents.

Regarding the change to manager reporting requirements, Trustee Block said he understands it is governed by fund documents, but is concerned about how we signal our policies around reporting and what replaces the oversight. Ms. Heaphy replied that in its due diligence Callan reviews manager reports to assess the quality of the investments and ascertain they are good investments for the Board. Mr. Wickman added that staff and counsel also review all fund documents to determine MCERA receives adequate reporting. Trustee Block indicated the Board may want to have a policy around reporting.

Trustee Cooper was excused from the meeting at 11:02 a.m.

It was M/S Gladstern/Murphy to approve updates to the Investment Policy Statement listed in Agenda Items B.3.a – q below, subject to the changes to the Proxy Voting section discussed above. The motion was approved by a vote of 9-0 as follows:

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

For consideration at July Board meeting

- a. Introduction: Modify composition of Board of Retirement.
- b. General Investment Objectives and Guidelines: Add Opportunistic Portfolio.
- c. Investment Management Policy: Remove manager quarterly certification to compliance with guidelines.
- d. Private Equity Policy
 - 1. Clarify direct investments by managers are known as secondaries or co-investments and increase allocation of same to 35% from 25% of portfolio.
 - 2. Increase life of vehicle to 15 years from 12 years and increase performance period to 10 rolling years from 5 rolling years.
 - 3. Define combined public market equity benchmark; generalize IRR performance benchmark.
 - 4. Remove the Fund's investment limit of 20% of a private equity fund-of-funds total value.
- e. Duties of Responsible Parties
 - 1. MCERA Board of Retirement: Remove guideline certification from portfolio review.
 - 2. Investment Managers: Categorize as public or private markets.
 - 3. Public Markets Investment Managers: Acknowledge guidelines on hire or contract renewal or amendment.
 - 4. Private Markets Investment Managers: Tie reporting to legal documentation; change time to meet with MCERA from annually to as needed basis.
 - 5. General Investment Consultant: Remove check on guidelines compliance in quarterly report; remove negotiating with private investment managers; and add assist with custodian assignment.
- f. Appendix A, Long-Term Strategic Asset Allocation Targets and Ranges
 - 1. Change asset allocation review from monthly to quarterly.
 - 2. Add Opportunistic Asset Class with 0% target and range of 0.0% to 5.0%.
 - 3. Relax rebalancing requirement to within target range.
 - 4. Add Opportunistic allocations to real estate and private equity rebalancing guidelines.
- g. Appendix B: For all portfolios, add "MCERA" to Performance Objectives and remove quarterly written certification of compliance to guidelines where applicable.
- h. Appendix B-3: Morgan Stanley Investment Management, Non U.S. Value Equity Statement of Objectives, Guidelines & Procedures: Clarify investment approach and

For consideration at July Board meeting

change notification of MCERA from 24 hours to promptly for a change in lead personnel.

- i. Appendix B-14: UBS Core Real Estate Statement of Objectives, Guidelines and Procedures: (1) Add net of fees to Performance Objectives; (2) Reporting Requirements – remove monthly reports, limit quarterly reports to performance, and remove quarterly year-to-date period.
- j. Appendix B-15: AEW Capital Management, Core Real Estate Statement of Objectives, Guidelines and Procedures: (1) Add net of fees to performance objectives; (2) Reporting Requirements – remove monthly reports, limit quarterly reports to performance, and remove year-to-date period.
- k. Appendix B-16: CarVal Investors, Credit Value Fund V LP Statement of Objectives, Guidelines and Procedures: Add.
- l. Appendix B-17: Fortress Investment Group, Fortress Credit Opportunities Funds V Expansion Statement of Objectives, Guidelines and Procedures: Add.
- m. Appendix B-18: Värde Management, L.P., The Värde Dislocation Fund Statement of Objectives, Guidelines and Procedures: Add.
- n. Appendix B-19: Parametric Portfolio Associates, Policy Implementation Overlay Service Statement of Objectives, Guidelines and Procedures: Reporting Requirements – remove monthly and quarterly benchmark report; remove quarterly one-, three- and five-year performance report.
- o. Appendix C-1: Pathway Capital Management, Statement of Objectives, Guidelines & Procedures: (1) Add Pathway Private Equity Fund Investors 10 (PPEF I-10); (2) Performance Objectives, change Thomson/Cambridge (All Regions) All Private Equity Index to Refinitiv/Cambridge (All Regions) All Private Equity Index; (3) Investment and Other Guidelines, remove 20% limitation on General Partner's investment in aggregate Capital Commitments; (4) Reporting Requirements, limit to Partnership legal documentation.
- p. Appendix C-2: Abbott Capital Management, Statement of Objectives, Guidelines & Procedures: Add Abbott Annual Program 2021, LP (AP 2021); (2) Performance Objectives, change Thomson/Cambridge (All Regions) All Private Equity Index to Refinitiv/Cambridge (All Regions) All Private Equity Index; (3) Investment and Other Guidelines, remove 20% limitation on General Partner's investment in aggregate Capital Commitments; (4) Reporting Requirements, limit to Partnership legal documentation.
- q. Appendix D: Resolution 2010/11-03 Placement Agent Payment Disclosure Resolution and Policy: Add “or similar acknowledgement” to agreement with Placement Agent Payment Disclosure Policy and its filing, and add “or similar disclosures” to the Form 700 filing.

D. INVESTMENT CONSULTANT QUARTERLY REPORT

1. Summary Report as of March 31, 2021

Mr. Callahan reported on investment results as of March 31, 2021, the third quarter of MCERA's fiscal year. The Investment Consultant stated it has been a good year for the Fund. The rebound in equity markets continued, with a rebound in small cap and value coming back in style. International stocks continue to lag developed markets and emerging markets have been outperforming. Bonds were sharply negative during the quarter as yields rose from very low levels and global bonds benefited from the depreciation of the U.S. dollar. With inflation just starting to heat up, the Investment Consultant indicated there are concerns the Federal Open Market Committee (FOMC) may tighten monetary policy earlier than planned. Since November of 2020 sectors previously declining due to the pandemic, such as hotel resorts and cruise lines, made significant turnarounds. MCERA's private equity portfolio allocation is now at 11.5%, nearing the top end of its range, and all Fund allocations are within range of targets.

As of March 31, 2021 significant investment returns bring the value of the total Fund to a high-water mark of over \$3.1 billion. The Fund returned 3.06% net of fees for the quarter and 38.70% net of fees for the last twelve months, and has outperformed on a net basis over time. The fiscal year return is about 22% net of fees for the Fund as of March 31, 2021, ahead of peers and the target return, Mr. Callahan said, and strong performance has continued in April and May.

Reporting net-of-fee returns within the Fund as of March 31, 2021 for the past twelve months, the Investment Consultant said the domestic equity return was 70.6%, driven by the 97% return of the Dimensional Fund Advisors small cap core portfolio and the 56.35% return of the State Street Global Advisors S&P 500 portfolio. International equities were up 45.30%, trailing the target return of over 50%, and the fixed income portfolio returned 7.87%, with all three managers outperforming. Real estate returns were negative 1% in that period, reflecting the struggling UBS core real estate portfolio. The public real assets portfolio returned 46.36%, driven by the significant outperformance of the two actively managed portfolios, KBI Global Resources and Invesco commodities portfolios.

Turning to private portfolios, Mr. Callahan reported the private equity portfolio is performing well. As of December 31, 2020 of the \$400 million committed MCERA has paid in \$362 million and received almost \$85 million in distributions. The remaining Net Asset Value is \$375.5 million, the Total Value to Paid In Capital is 1.82x, and the net Internal Rate of Return (IRR) is 15.33%. In the Opportunistic portfolio \$20.1 million has been paid in to the Värde portfolio, which is invested in a diversified portfolio and has an IRR of 19.15%.

2. Flash Performance Update

Mr. Callahan presented fiscal year-to-date preliminary returns net of fees for the Fund as of May 31, 2021. Within the Fund outperforming sectors were domestic equity returning 45.8%, fixed income up 3% with all three managers contributing to alpha, and real assets up 40.5%. International equities returned 30.4%, underperforming the benchmark.

For consideration at July Board meeting

The Total Fund value as of May 31, 2021 is over \$3.2 billion, with a 27.4% preliminary fiscal year-to-date return one month before the end of the fiscal year. Mr. Callahan advised these are extraordinary results for this period that will have a significant impact on Valuation and funding results, including the Asset/Liability Study to be discussed with the Board in the fall.

There being no further business, Chair Klein adjourned the meeting at 11:36 a.m.

Jeff Wickman
Retirement Administrator

On behalf of:
Sara Klein
Investment Committee Chair

Michelle Hardesty
Assistant Retirement Administrator

On behalf of:
Jeff Wickman
Retirement Administrator

B.1 Administrator's Report

The only backup for the Administrator's Report items is for the Business Objectives review.

B.1.b

Retirement Administrator 2020-21 Business Objectives Board of Retirement Update July 14, 2021

Key Business Objective No. 1: Benefit Administration

Define Target Performance:

Ensure accurate data transfer, enhance knowledge and create administration efficiencies:

- Conduct first employer audit in Spring 2021.
- Develop employer e-newsletter and web site providing information specific to employer requirements for enrolling members, reporting correct payroll data and managing retiree return to work provisions.

Update:

The first employer audit has been conducted with the Tamalpais Community Services District. The Preliminary Audit report is currently in review for this audit.

The draft employer website is 75% complete with ongoing development informed by lessons learned during the current employer audit process.

Key Business Objective No. 2: Performance Management

Define Target Performance:

- Complete 95% of new retiree payroll inceptions the month following the retirement
- Complete 80% of retirement benefit estimates within 30 days of receiving the request
- Complete 75% of service purchases within 30 days of the date documentation is available
- Respond to written customer correspondence (emails and letters) within 5 days
- Complete 100% of staff performance reviews by their due date

Update:

The team continues to exceed all performance goals. From August 1, 2020 to June 30, 2021:

- 100% of 146 new retirements met the target date for payroll inception
- 88.5% of 192 estimates met the target period for completion
- 97.5% of 39 service purchases met the target period for completion

Key Business Objective No. 3: Business Management

Define Target Performance:

- Implement risk mitigation to address priority items from Linea Secure Cybersecurity Risk Assessment findings

Update:

MCERA engaged Linea Secure to assist with the development of policies governing IT risk that directly addressed the findings in the prior risk assessment. MCERA is preparing to implement three policies relating to passwords, remote work, and systems access control in addition to an Incident Response Plan. Modifications to the administration of Board mobile devices and accounts

B.1.b

will begin in July. A detailed CPAS System Security Plan and four additional policies relating to personnel security, physical security, system configuration management, and annual risk assessments are still in development.

Key Business Objective No. 4: Investments

Define Target Performance:

- Develop a process to review the Board's existing proxy voting approach and present alternatives to the Investment Committee for consideration
- Conduct activities necessary for leasing Suites 150/175 in One McInnis
- Conduct contracting work necessary to engage new investment managers

Update:

At the December 2020 Investment Committee meeting staff conducted an educational session on proxy voting that reviewed the current process and presented potential alternatives. At the January 2021 Investment Committee meeting Institutional Shareholder Services (ISS) presented information about how they would go about voting proxies on MCERA's behalf. The Committee voted to hire ISS to provide to vote proxies for MCERA's small cap core investment with DFA and S&P 500 investment with SSGA. An agreement between MCERA and ISS to provide the services has been executed. DFA and SSGA have been notified of the change and MCERA and SSGA have entered into a revised Investment Management Agreement. A letter of direction was sent to the custodian to direct all future proxy materials to ISS.

Completed and executed subscription agreements with new opportunistic managers CarVal, Fortress and Varde. Completed and executed subscription agreements for new private equity investments with Abbott Capital Management and Pathway Capital Management. Agreements to transition the S&P 500 to the Russell 1000 index will be completed July 14th. Side letter negotiations are ongoing with the new emerging markets manager.

MCERA's space reduction plan, which includes a new shared restroom corridor and new kitchen/storage area, is complete. Construction of spec suites in 150/175 is complete. The courtyard refresh project is complete. New HVAC units were installed for the building in November. The building waterproofing project will be completed in July. Leasing activities for the vacant suites are ongoing. The Boardroom and conference room refresh projects will start in July with a projected completion of September.

Key Business Objective No. 5: Communication and Education

Define Target Performance:

- Complete the modification of CPAS to provide additional information on annual benefit statements including estimates for earliest retirement age and five-year increments
- Create overview booklet on MCERA plan structure, governance and financing
- Create summary brochure specific to actuarial valuation reports and results
- Modify general retiree COLA mailing to include actual COLA amount for each retiree

B.1.b

Update:

Programming for the CPAS system modifications to annual benefit statements will be implemented with the June 30, 2021 annual statements.

The plan overview booklet and actuarial brochure will be complete by July 31, 2021.

The modifications to the retiree COLA mailing were implemented with the April 2021 COLA notification.

Key Business Objective No. 6: Finance and Accounting**Define Target Performance:**

- Conduct custodial services vendor evaluation and present a recommended vendor to the Board for potential action

Update:

The custodial search was put on hold until the recruitment and hiring process for a new Senior Accountant on the Accounting Team is complete. That recruitment should be completed in July. Restarting the custodial search is still targeted for 4th quarter 2021.

Key Business Objective No. 7: Human Resource Management**Define Target Performance:**

- Implement work schedules that include remote access and in office work.
- Implement COVID-19 safety protocols allowing the office to re-open for customers
- Provide the necessary tools to ensure a secure and ergonomic home work station

Update:

Remote access work schedules are still being utilized for staff. A second remote work survey was conducted with 100% participation from staff. The results will be shared with all team members at an upcoming meeting.

Based on the California reopening plan and Cal/OSHA rules MCERA's staff who have been fully vaccinated can work in the office without masks. The Site-Specific Protection Plan, previously required for opening, is no longer required and has been removed as have social distancing signs. New signage indicates to visitors that they are still required to wear masks if not vaccinated.

VIRTUAL ADMINISTRATORS' ROUNDTABLE

June 25, 2021
8:30 a.m. to 12:30 p.m. Pacific Time
Held Virtually on Zoom

AGENDA

- 8:30 a.m. Welcome and Introductions
- 8:45 a.m. What's Going on In Your System
- 10:00 a.m. Group Discussion: Topics Listed Below.
1. Brown Act and Governor's Emergency Orders status
 2. Transition back to In-Office work – hybrid WFH plans
 3. Social Security – WEP/GPO provisions – public plan positions
 4. Families First Coronavirus Response Act (FFCRA) – pensionable or non-pensionable earnings?
 5. Member Self-Service Accounts – Creation and Capability, Authentication requirements
 6. Discount Rates and Actuarial Assumptions
 7. Diversity & Inclusion
 8. General Assembly 2022 Venue?
 9. Virtual meetings vs. in-person meetings
 10. Staff training needs?
- 12:30 p.m. Adjourn

B.2.b Other Comments

This is a discussion with no backup.

**Investment Policy Statement
For**

Marin County Employees' Retirement Association



DRAFT~~FINAL~~
July~~June~~ 2021

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT POLICY STATEMENT

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Appendices:

Appendix A	Strategic Asset Allocation
Appendix B	Individual Manager Guidelines
Appendix C	Individual Private Equity Sponsor Guidelines
Appendix D	Placement Agent Payment Disclosure Policy

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. The Director of Finance may also designate a deputy, who is employed under the Director of Finance's authority, to act in his or her place and stead on the Board or any of its committees.

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 investment of the assets of MCERA. The Board of Retirement has established a standing Investment Committee, which is composed of all members of the Board of Retirement ("Investment Committee" or "Committee"). As set forth in the Investment Committee's Charter, the Committee has been delegated all investment authority of MCERA as set forth therein. The purpose of the Investment Policy is to assist the Board, through the Investment Committee, 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 Investment Committee establishes this investment policy in accordance with applicable local, State, and Federal laws. The Board and Committee 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 and Committee oversee and guide 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.

C.1

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 and Committee 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 MCERA 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 and Committee 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, Committee, 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 MCERA's Proxy Voting and Corporate Governance Policy.

Securities Lending

The Board and/or Committee 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/or Committee 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;

C.1

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;
10. Staff shall be responsible for making an annual report to the Board and/or Committee 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 Investment Committee or Board:

Domestic Equity Portfolio – Russell 3000 Index

Large Cap Stocks – ~~Russell 1000 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 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 Investment Committee or 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 benchmark for the various Real Estate portfolios may include the following index:

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.

Opportunistic Portfolio

MCERA may invest in opportunistic investments that will vary by assignment. Performance objectives or guidelines will be defined by MCERA in its retention of managers or selection of suitable investments and will be evaluated to test progress toward attainment of longer-term goals.

- MCERA may invest in opportunistic investments through separate accounts and diversified institutional commingled vehicles which may include limited liability partnerships, limited liability corporations, group trusts or other commonly used investment vehicles.
- The manager(s) will have discretion with respect to the management of the separate account or fund's investment program, operating within the parameters delineated in the separate account or fund's legal documentation.
- The investment objective of the opportunistic 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.

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 or Investment Committee.

Policy Implementation Overlay

The Board or Investment Committee 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 where applicable.

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 or Investment Committee action.

The Investment Committee 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 Investment Committee 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 or Investment Committee, these 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 or Investment Committee, 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 Investment Committee 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 Investment Committee's intention to terminate a manager for short-term underperformance relative to objectives, the Investment Committee 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, Investment Committee and Consultant based on the unique circumstances surrounding the manager and current market conditions), the Investment Committee may and will consider termination.

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 Investment Committee 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 (e.g. secondary or co-investments). Such investments are permissible provided that they constitute a comparatively small portion of the total fund-of-funds' asset base (typically less than 35%).

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.

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 Board and/or Investment Committee consideration. Ultimately, the Investment Committee 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 15 years. The Investment Committee 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:

- For policy benchmarking purposes, over the long-term (rolling 10-year periods) the private equity portfolio is expected to generate returns in excess of the combined benchmark, consisting of 60% Russell 3000 and 40% MSCI ACWI ex-US IMI, employing a time-weighted return calculation.
- The private equity portfolio and manager returns will also be measured employing a dollar-weighted, internal rate of return (IRR) calculation and benchmarked against relevant peer group information from a recognized private equity database provider. The portfolio will also be benchmarked employing standard private equity performance ratio measures: Total Value to Paid-In Capital (TVPI) and Distributed Value to Paid-In Capital (DPI). IRR and ratio performance should be above median relative to recognized private equity industry peer database returns. Measures should be focused on returns net of all partnership fees and expenses.

Attainment of these objectives does not guarantee future investment by the Investment Committee 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 Investment Committee.

In addition, the following stipulation(s) apply:

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- 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 or Investment Committee 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 private equity database return set forth in Appendix B 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 and Investment Committee

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. In the interest of efficient and prudent administration of MCERA and investment of its assets, the Board of Retirement has delegated its responsibilities with respect to the investments to the Investment Committee, which consists of all members of the Board of Retirement. Although it is not the intent of the Investment Committee to become involved in the day-to-day investment decisions, the Investment Committee or its designee(s) will adhere to the following procedures in the management of MCERA's assets:

- The Investment Committee develops and approves guidelines for the execution of MCERA's investment program. Only the Board, through the Investment Committee, 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 Investment Committee shall review MCERA's investments quarterly, or as needed, to ensure that policy guidelines continue to be met. The Investment Committee 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 Investment Committee 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 Investment Committee 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.

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- The Investment Committee 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. 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.
 2. Investment performance relative to each manager's stated performance benchmark(s) as set forth in the manager's investment guidelines.
- The Investment Committee shall expect Staff to administer MCERA's investments in a cost-effective manner subject to Committee 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 Investment Committee 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/Investment Committee 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 and/or Investment Committee, 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 or Investment Committee 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, Investment Committee, 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 or Investment Committee.

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- Restructuring portfolios following manager terminations with the assistance of consultants and managers, as needed.
- Organizing and/or participating in any special research required to manage the Plan more effectively or in response to any questions raised by Board/Investment Committee members.
- Supporting the Board or Investment Committee 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 or Investment Committee with timely, accurate and useful information.

Duties of the Public Markets Investment Managers

The following duties apply to managers investing in public market securities:

- 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 acknowledgement to the Retirement Administrator of these investment guidelines at the time of hire or upon any contract renewal or amendment.
- Maintain frequent and open communication with Staff and the Board or Investment Committee on all significant matters pertaining to the Investment Policy, including, but not limited to, the following:

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- Major changes in the investment manager’s investment outlook, investment strategy and portfolio structure;
 - 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, Investment Committee or their designee(s) on an as-needed basis.

Duties of the Private Markets Investment Managers

The following duties apply to managers investing in private markets:

- 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.
- Provide reporting as specified by the legal documentation of the relevant investment vehicle.
- Meet with the Board, Investment Committee or their designee(s) on an as-needed basis.

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 or Investment Committee, 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.

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- 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 or Investment Committee.
- Manage a securities lending program to enhance income if directed by the Board or Investment Committee. 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 or Investment Committee 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 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 and custodian assignment and 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.

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 and Investment Committee'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 or Investment Committee 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 or Investment Committee at the earliest opportunity.

MCERA's actual asset allocation shall be reviewed at the end of each quarter 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.

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

Asset Class	Target Percent	Allowable Range
<i>US Equity</i>	32.0%	28.0% - 36.0%
Large Cap Core	22.4%	19.4% - 25.4%
Small Cap Core	9.6%	7.6% - 11.6%
<i>Non-US Equities</i>	22.0%	19.0% - 25.0%
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%
<i>Fixed Income</i>	23.0%	20.0% - 26.0%
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%
<i>Real Assets</i>	7.0%	4.0% - 10.0%
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%
<i>Real Estate</i>	8.0%	4.0% - 12.0%
<i>Private Equity</i>	8.0%	0.0% - 12.0%*
<i>Opportunistic</i>	0.0%	0.0% - 5.0%

* 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

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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.

2. In order to rebalance as efficiently as possible and save transactions costs, allocations may be brought back within the allowable range rather than exactly to the target percentage.
3. Private market portfolios, such as Real Estate, Private Equity, and certain Opportunistic allocations, 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 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 market 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.

APPENDIX B - 1
STATE STREET GLOBAL ADVISORS (SSGA)
~~S&P 500~~Russell 1000 INDEX STRATEGY (LARGE CAP CORE)
STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES

Investment Approach

The objective of the ~~S&P 500~~Russell 1000 Index strategy is to provide returns consistent with the US equity market as measured by the ~~S&P 500~~Russell 1000 Index.

MCERA Performance Objectives

- Match the return, gross of management fees, of the ~~S&P 500~~Russell 1000 Index over a complete market cycle.
- Minimize tracking error relative to the ~~S&P 500~~Russell 1000 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.

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- 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 and/or Investment Committee 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 1,000th 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.

MCERA 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

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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 or Investment Committee.

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 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 and/or Investment Committee 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.

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

Investment Approach

Morgan Stanley uses a bottom-up approach to build a diversified portfolio of primarily non US companies to generate long-term outperformance with an emphasis on reducing downside participation. The portfolio consists of a combination of high-quality companies characterized by their high returns on operating capital employed and strong free cash flow generation, and more cyclical companies with improving or mis-priced fundamentals, the mix of which varies over time based on valuations and company prospects.

MCERA 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 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.
- Morgan Stanley will meet with the MCERA Board and/or Investment Committee 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 promptly 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.

MCERA 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 and/or Investment Committee 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.

MCERA 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 and/or Investment Committee 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.

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.

MCERA 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.

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- A representative of Parametric will meet with the MCERA Board and/or Investment Committee 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.

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.

MCERA 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.

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- 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.

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- 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 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 and/or Investment Committee 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.

MCERA 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

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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

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- 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 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 and/or Investment Committee 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.

MCERA 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 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 and/or Investment Committee 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.

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- 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.

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.

MCERA 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 and/or Investment Committee 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.

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- 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.

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.

MCERA 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 and/or Investment Committee as often as deemed necessary by MCERA. A representative of Invesco will be available to meet with MCERA

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annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.

- 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.

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.

MCERA 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 and/or Investment Committee 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.

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- 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.

MCERA 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 and/or Investment Committee 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.

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- 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.

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.

MCERA Performance Objectives

- Exceed the return, net of management fees, 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

- Quarterly – Performance of the portfolio and benchmark for the quarter, 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 and/or Investment Committee 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.
- 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.

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.

MCERA Performance Objectives

- Exceed the return, net of management fees, 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

- Quarterly – Performance of the portfolio and benchmark for the quarter, 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 and/or Investment Committee 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.
- 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.

APPENDIX B-16
CARVAL INVESTORS
CREDIT VALUE FUND V LP
STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES

Investment Approach

CarVal Investors Credit Value Fund V LP is a closed-end fund that will make investments in distressed and credit-intensive assets within loan portfolios, corporate securities, structured credit, hard assets, and special opportunities.

MCERA Performance Objectives

- Exceed the return, net of management fees, of the S&P/LSTA Leveraged Loan Index + 250 basis points over a complete market cycle.

Investment Guidelines

- All investments are subject to compliance with the investment management style concepts and principles set forth in the legal documentation of the Partnership.

Reporting Requirements

- Reporting requirements will be governed by the Partnership's legal documentation.
- A representative of CarVal will generally be available to meet or have discussions with MCERA, the Board of Retirement and/or Investment Committee, or their designee(s) as reasonably necessary to review the portfolio and its performance.

Any and all legal obligations related to MCERA's investment in the Partnership would be governed by the Partnership's legal documentation, notwithstanding anything in this Investment Policy Statement and any related appendices to the contrary.

APPENDIX B-17
FORTRESS INVESTMENT GROUP
FORTRESS CREDIT OPPORTUNITIES FUNDS V EXPANSION
STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES

Investment Approach

Fortress Credit Opportunities Funds V Expansion is a closed-end fund that will make investments in a range of distressed and undervalued credit investments.

MCERA Performance Objectives

- Exceed the return, net of management fees, of the S&P/LSTA Leveraged Loan Index + 250 basis points over a complete market cycle.

Investment Guidelines

- All investments are subject to compliance with the investment management style concepts and principles set forth in the legal documentation of the Partnership.

Reporting Requirements

- Reporting requirements will be governed by the Partnership's legal documentation.
- A representative of Fortress will generally be available to meet or have discussions with MCERA, the Board of Retirement and/or Investment Committee, or their designee(s) as reasonably necessary to review the portfolio and its performance.

Any and all legal obligations related to MCERA's investment in the Partnership would be governed by the Partnership's legal documentation, notwithstanding anything in this Investment Policy Statement and any related appendices to the contrary.

APPENDIX B-18
VÄRDE MANAGEMENT, L.P
THE VÄRDE DISLOCATION FUND
STATEMENT OF OBJECTIVES, GUIDELINES & PROCEDURES

Investment Approach

The Värde Dislocation Fund is a closed-end fund that will make investments in a broad universe of mispriced, stressed, and distressed credit opportunities.

MCERA Performance Objectives

- Exceed the return, net of management fees, of the S&P/LSTA Leveraged Loan Index + 250 basis points over a complete market cycle.

Investment Guidelines

- All investments are subject to compliance with the investment management style concepts and principles set forth in the legal documentation of the Partnership.

Reporting Requirements

- Reporting requirements will be governed by the Partnership's legal documentation.
- A representative of Värde will generally be available to meet or have discussions with MCERA, the Board of Retirement and/or Investment Committee, or their designee(s) as reasonably necessary to review the portfolio and its performance.

Any and all legal obligations related to MCERA's investment in the Partnership would be governed by the Partnership's legal documentation, notwithstanding anything in this Investment Policy Statement and any related appendices to the contrary.

APPENDIX B - 19
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.

MCERA Performance Objectives

- Produce returns approximately equal to the Fund’s 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

- Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio will be sent to the MCERA Retirement Administrator and MCERA's Investment Consultant.
- Quarterly – Same as monthly plus performance of the portfolio for the quarter, year-to-date 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 and/or the Investment Committee 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)
PATHWAY PRIVATE EQUITY FUND INVESTORS 10 (PPEF I-10)
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.

MCERA Performance Objectives

- Produce returns approximately equal to or in excess of the Refinitiv/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.

Reporting Requirements

- Reporting requirements will be governed by the Partnership's legal documentation.
- The investment manager shall meet or shall cause the General Partner of the Partnership to meet with the Board and/or the Investment Committee or their designee(s) annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.

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)
ABBOTT ANNUAL PROGRAM 2021, LP (AP 2021)
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.

MCERA Performance Objectives

- Produce returns approximately equal to or in excess of the Refinitiv/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.

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.
- The investment manager shall meet or shall cause the General Partner of the Partnership to meet with the Board, and/or the Investment Committee, or their designee(s) annually, or more often if deemed necessary by MCERA, to review the portfolio and its performance.

APPENDIX D
RESOLUTION 2010/11-03
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)
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
Amended: May 5, 2021

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 or similar acknowledgement 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 a 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.

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) or similar disclosures with respect to all MCERA existing external investment managers, MCERA 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

11. A member of the immediate family of any such person who are either employed or receiving compensation from the Placement Agent.
12. 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 amendment of this Policy.

Dated: May 5, 2021



Retirement Administrator

C.2 Future Meetings

This is a discussion with no backup.

**D.1
MCERA
CONFERENCE AND TRAINING CALENDAR
July 2021**

Block	Cooper	Given	Gladstern	Jones	Klein	Murphy	Poirier	Shaw	Silberstein	Tomlin	Werby	Wickman	Hardesty	Dunning	Matyurin	Marshall	DATE	APPROVED	SPONSOR	PROGRAM	LOCATION
																	7/13-22/21	*	SACRS	Public Pension Investment Management Program	Virtual
									✱		✱						7/19-21/21	*	Callan	National Conference	Salt Lake City, UT and Virtual
																	8/17/21	*	Callan	Introduction to Investments	Virtual
																	8/22-24/21	*	NCPERS	Public Pension Forum	New York, NY
																	8/23-9/2/21	*	CalAPRS	Management Academy	Virtual
																	9/9/21	*	CalAPRS	Investments Round Table	Virtual
																✱	9/14/21	*	CalAPRS	Accountants' Round Table	Virtual
													✱				9/17/21	*	CalAPRS	Benefits Round Table	Virtual
														✱			9/17/21	*	CalAPRS	Attorneys' Round Table	Virtual
												✱					9/22-24/21	*	CalAPRS	Administrators' Institute	Virtual
																	9/22-24/21	*	CII	Fall Conference	Chicago, IL & Virtual
																	9/26-28/21	*	NCPERS	Fall Conference	Scottsdale, AZ
																	9/28-30/21	*	CalAPRS	Principles of Pension Governance for Trustees	Virtual
																	10/8/21	*	CalAPRS	Disability Retirement Administration	Virtual
																✱	10/22/21	*	CalAPRS	Information Technology Round Table	Virtual
																	10/26/21	*	CalAPRS	Administrative Assistants' Round Table	Virtual

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Block	Cooper	Given	Gladstern	Jones	Klein	Murphy	Poirier	Shaw	Silberstein	Tomin	Werby	Wickman	Hardesty	Dunning	Matyurin	Marshall	DATE	APPROVED	SPONSOR	PROGRAM	LOCATION
																	10/26/21	*	Callan	Introduction to Investments	Virtual
																	10/26-29/21		CWC	Workers' Capital Conference	Virtual
																	10/29/21	*	CalAPRS	Trustees' Round Table	Virtual
																	11/3-5/21	*	CalAPRS	Intermediate Course in Retirement Plan Administration	Virtual
																	11/7-10/21	**	CRCEA	Fall Conference	Long Beach, CA
																	11/9-12/21	*	SACRS	Fall Conference	Hollywood, CA
																	12/8-10/21	*	CalAPRS	Advanced Course in Retirement Plan Administration	Virtual
																	3/5-8/22	*	CalAPRS	General Assembly	TBD
																	3/7-9/22	*	CII	Spring Conference	Washington, DC
																	3/30-4/1/22	*	CalAPRS	Advanced Principles of Pension Governance for Trustees	Los Angeles, CA
																	5/22-25/22	*	NCPERS	Annual Conference	Washington, DC
																	5/22-25/22	*	NCPERS	Program for Advanced Trustee Studies	Washington, DC
																	9/20-22/22	*	CII	Fall Conference	Boston, MA

*Pre-approved events: CalAPRS; Callan; CII; Nossaman LLP; NASRA; NCPERS; 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>

NCPERS
 SACRS

National Conference of Public Employee Retirement Systems
 State Association of County Retirement Systems
<http://www.sacrs.org>

CONSENT CALENDAR**MCERA BOARD MEETING, WEDNESDAY, JULY 14, 2021****June 2021**

RETURN OF CONTRIBUTIONS			
Ambar Chavez	Full Refund - Termination	\$	37,291.70
Felix Flynn	Full Refund - Termination	\$	5,066.74
Robert Schroedl	Full Refund - Termination	\$	17,133.13

BUYBACKS			
Ian Adams		\$	20,000.00

NEW RETIREES	
Sharon Blakley	County of Marin - Public Works
Thomas Buell	County of Marin - Public Works
Christine Gimmler	County of Marin - Community Development
Paul Jensen	City of San Rafael
Meloni Page	County of Marin - Human Resources
Joshua Todt	County of Marin - Sheriff/Coroner

DECEASED RETIREES	
Mary Arlott	County of Marin - Public Works
Roger Garcia	County of Marin - Beneficiary
Martin Groginsky	County of Marin - Beneficiary
Ed Meagor	City of San Rafael
Joan Mow	County of Marin - Health & Human Services
Mark Sanders	County of Marin - Fire
Beverly Williams	County of Marin - Information Services & Technology
Linda Wilson	County of Marin - Health & Human Services
Xiaohong Zeng	City of San Rafael