

# ***Stanislaus County Employees' Retirement Association***

## **INVESTMENT POLICY STATEMENT**

### **DIRECTIVE 4 - INVESTMENT MANAGER ONSITE DUE DILIGENCE VISITS**

September 25, 2018





## Investment Policy Statement – Directive # 4

### I. Investment Manager Onsite Due Diligence Visits

#### *Rationale*

StanCERA acknowledges that onsite diligence visits are only undertaken once every 4 years. In that regard, the diligence team understands that it doesn't have a lot of time to spend onsite and it wishes to extract the most value from these visits. Further, StanCERA also acknowledges that performance matters are generally discussed each month at regular investment meetings and as such, this policy places slightly more weight on qualitative rather than quantitative issues.

#### *Purpose*

The purpose of the policy is to:

1. Identify warning signs of adverse changes in an existing manager's organization
  - a. Has anything fundamentally changed in the manager's operations?
  - b. Is the change significant?
  - c. What are the likely ramifications of the change?
2. Pick up on indications of future poor performance
3. To reassure StanCERA that we would again hire the manager in question today

#### *Policy*

**Questionnaire:** A questionnaire will be sent to the investment manager at least 6 weeks prior to the onsite visit and should be returned to StanCERA at least 4 weeks prior to the onsite visit. The completed questionnaire covering all aspects of the Organization will be submitted by the investment manager to StanCERA's investment consultant and/or internal investment officer. This version will be kept on hand and reviewed by the consultant and/or investment officer prior to the visit and also handed out and emailed to the diligence committee. A shorter, succinct version may also be given to the diligence committee approximately 2 to 3 weeks prior to the visit and this version will focus on those questions that may reveal any recent changes within the Organization that could help fulfill the purpose above.

**Onsite Interview:** The goal of the onsite interview is to allow the diligence committee the ability to address any concerns that may have arisen from the questionnaire and reassure themselves that StanCERA would again hire the firm today. *The committee should drive the discussion*, much the same as in an interview setting. The diligence team may meet prior to the diligence trip with StanCERA's investment consultant to discuss what concerns they would like addressed and to formulate a general strategy of discussion points and questions.

The investment manager should make available, at a minimum, the individual(s) that are in charge of driving the investment process for the StanCERA portfolio. Individuals that can articulate past, current and prospective investment philosophies and performance should be involved as well.



**Onsite Inspection:** Onsite inspection allows the team the ability to visually “inspect” certain aspects of the Organization that may reveal operational risk. It is not the intent of this policy to proscribe methodologies to determine whether operational risk exists. Instead, after a thorough review of the completed questionnaire, the consultant and/or investment officer may suggest some areas that the diligence committee may want to explore while onsite.

## II. Review

This Board shall review this policy / directive at least every three years.

## III. History

Adopted by the Retirement Board on 11/25/14 (as part of I.P.S)

Reviewed and Amended by the Board of Retirement on 9/25/2018

Adopted by the Board of Retirement

A handwritten signature in black ink, appearing to read "Rick Santos".

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Rick Santos, Executive Director

Approval / Adoption Date: 9/25/2018