



Stanislaus County Employees' Retirement Association

832 12th Street, Ste. 600, Modesto, CA 95354 • PO Box 3150, Modesto, CA 95353 • www.stancera.org • 209-525-6393 • 209-558-4976 Fax

AGENDA

BOARD OF RETIREMENT

832 12th Street Ste. 600, **Wesley W. Hall Board Room**
Modesto, CA 95354

September 25, 2018
1:30 p.m.

The Board of Retirement welcomes you to its meetings, which are regularly held on the fourth Tuesday of each month. Your interest is encouraged and appreciated.

CONSENT/ACTION ITEMS: Consent matters include routine administrative actions and are identified under the Consent Items heading. All other items are considered to be action items "Action" means that the Board may dispose of any item by any action, including but not limited to the following acts: approve, disapprove, authorize, modify, defer, table, take no action, or receive and file.

PUBLIC COMMENT: Matters under jurisdiction of the Board, may be addressed by the general public before or during the regular agenda. However, California law prohibits the Board from taking action on any matter which is not on the posted agenda unless it is determined an emergency by the Board of Retirement. Any member of the public wishing to address the Board during the "Public Comment," period shall be permitted to be heard once up to three minutes. Please complete a Public Comment Form and give it to the Chair of the Board. Any person wishing to make a presentation to the Board must submit the presentation in written form, with copies furnished to all Board members. Presentations are limited to three minutes.

BOARD AGENDAS & MINUTES: Board agendas, minutes and copies of items to be considered by the Board of Retirement are customarily posted on the Internet by Friday afternoon preceding a meeting at the following website: www.stancera.org.

Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available for public inspection at StanCERA, 832 12th Street, Suite 600, Modesto, CA 95354, during normal business hours.

AUDIO: All Board of Retirement regular meetings are audio recorded. Audio recordings of the meetings are available after the meetings at <http://www.stancera.org/agenda>.

NOTICE REGARDING NON-ENGLISH SPEAKERS: Board of Retirement meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

REASONABLE ACCOMMODATIONS: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary at (209) 525-6393. Notification 72 hours prior to the meeting will enable StanCERA to make reasonable arrangements to ensure accessibility to this meeting.

1. Call Meeting to Order

2. Roll Call

3. Announcements

4. Public Comment

5. Consent Items

a. Approval of the August 28, 2018 Meeting Minutes [View](#)

b. Monthly Staff Report
Agenda Item [View](#)

c. Legal/Legislation Update [View](#)

d. Approval of Service Retirement(s) – **Government Code Sections 31499.14, 31670, 31662.2 & 31810**

1. Achterberg, Stephanie – HSA – Effective 09-15-18
2. Burns, Dennis – Fire Warden – Effective 09-09-18
3. Childs, Amy – BHRS – Effective 09-15-18
4. Cotter, Desiree – CSA – Effective 05-10-18
5. Hively, Arthur – City of Ceres – Effective 09-01-18 *
6. Jimeson, Angela – CSA – Effective 09-25-18
7. Lukins, Concepcion – HSA – Effective 09-08-18

5. Consent Items (Cont.)

8. Lyon, Teresa – BHRS – Effective 09-08-18
 9. Moore, Michael – Probation – Effective 09-01-18 *
 10. Pellegrini, Terri – Superior Court – Effective 09-05-18
 11. Ricci, Anastasia – BHRS – Effective 09-29-18
 12. Shaw, Vance – GSA – Effective 09-13-18
 13. Solana, Jeffrey – GSA – Effective 09-28-18
- * Indicates Safety Personnel*

e. Approval of Deferred Retirement(s) – **Government Code Section 31700**

1. Avitia, Valarie - CPS- Effective 8-6-18
 2. Cain, Toni – SO – Effective 7-4-2018 *
 3. Martinez, Elizabeth – CSA- Effective 10-31-17
 4. Melgar, Delores - HSA - Effective 8-17-18
 5. Robertson, Carol – CSA- Effective 5-14-18
 6. VanCleave, Becky, - AG Comm – Effective 8-18-18
- * Indicates Safety Personnel*

6. Verus – Investment Consultant

- a. August Flash Report [View](#)
- b. Private Markets Pacing Study [View](#)

7. Investment

- a. Fiscal Year 2017-2018 Auxiliary Investment Report
Agenda Item [View](#) Attachment 1 [View](#)
- b. Updates to Existing Governance Docs
Agenda Item [View](#)
Attachment 1 [View](#)
Attachment 2 [View](#)
Attachment 3 [View](#)
Attachment 4 [View](#)
Attachment 5 [View](#)
Attachment 6 [View](#)

8. Administrative

- a. Information Technology Solutions (ITS) Project Update [View](#)
- b. Board Room Committee Update
- c. Voting Delegates of State Association of County Retirement Systems (SACRS) at the 2018 Fall Business Meeting. [View](#)

9. Closed Session

- a. Conference with Legal Counsel – Pending Litigation – One Case:
O’Neal et al v. Stanislaus County Employees’ Retirement Association
Stanislaus County Superior Court Case No. 648469
Government Code Section 54956.9(d)(1)
- b. Conference with Legal Counsel – Pending Litigation – One Case:
Stanislaus County Employees’ Retirement Association v. Buck Consultants,
LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9d)(4)

10. Members’ Forum (Information and Future Agenda Requests Only)

11. Adjournment



BOARD OF RETIREMENT MINUTES
August 28, 2018

1. Call Meeting to Order

Meeting called to order 1:30 p.m. by Trustee Lynch, Chair

2. Roll Call

Trustees Present: Mike Lynch, Jim DeMartini, Darin Gharat, Sam Sharpe, Donna Riley, Michael O'Neal, and Mandip Dhillon

Trustees Absent: Jeff Grover

Alternate Trustee: Rhonda Biesemeier, Alternate Retiree Representative

Staff Present: Rick Santos, Executive Director
Chris Wisdom, Retirement Investment Officer
Dawn Lea, Benefits Manager
Natalie Elliott, Fiscal Services Manager
Kellie Gomes, Executive Board Assistant

Others Present: Fred Silva, General Legal Counsel
Ed Hoffman. VERUS investment Consultant

3. Announcements

Chris Wisdom pulled Item d.5.3 Month Investment Work Plan to discuss this item during discussion of items in 6.a.and b.

Kellie Gomes announced that a correction to the minutes were made on the first page under announcements. The announcement now reads Natalie Elliot welcomed Carmen Gusman to StanCERA as our new Retirement Accountant.

4. Public Comment

None

5. Consent Items

- a. Approval of the July 24, 2018 Meeting Minutes
- b. Monthly Staff Report
- c. Legal/Legislation Update
- d. 3 Month Investment Work Plan Pulled for discussion

e. Approval of Service Retirement(s) – **Government Code Sections 31499.14, 31670, 31662.2 & 31810**

1. Avila, Jose – DER – Effective 08-18-2018
2. Barrett, Dawn – CSA – Effective 07-12-2018
3. Barter, Bettina – Clerk Recorder – Effective 06-13-2018
4. Britt, Lola – DCSS – Effective 08-02-2018
5. Brock, Harlan – City of Ceres – Effective 08-25-2018
6. Brooks, Chris – GSA – Effective 07-07-2018
7. Craig, Colleen – County Counsel – Effective 08-01-2018
8. Gallasso, Brandon – Sheriff – Effective 08-18-2018 *
9. Hunter, Michele – CSA – Effective 08-18-2018
10. Macedo, Steven – Sheriff – Effective 08-18-2018 *
11. Maloy, Patricia – City of Ceres – Effective 08-11-2018
12. Medina, George – CSA – Effective 08-02-2018
13. Quezada, Teresa – HSA – Effective 08-08-2018
14. Ramirez, Jesse – DER – Effective 08-31-2018

** Indicates Safety Personnel*

f. Approval of Deferred Retirement(s) – **Government Code Section 31700**

1. Cuellar, Yvonne - CSA - Effective 6-30-18
2. Damin, Nicole, - DER - Effective 5-18-18
3. Machado, Matthew - PW- Effective 6-1-18

** Indicates Safety Personnel*

g. Approval of Disability Retirement – **Government Code Section 31724**

1. Alvarez Jr., Frank – City of Ceres, Service-Connected. Effective March 21, 2018

Motion was made by Trustee Gharat and seconded by Trustee O'Neal to accept the consent items as presented with the changes mentioned in the announcements.

Motion carried unanimously

6. Verus – Investment Consultant

5.d. 3 Month Investment Work Plan - Heard out of order

a. July Flash Report

b. Investment Performance 2018 Quarter 2 Review

1:52 p.m. Trustee DeMartini arrived

7. Investment

a. Private Markets Investment Policy

Agenda Item Attachment 1

Motion was made by Trustee Gharat and seconded by Trustee Riley to adopt the Private Markets Investment Policy with the changes presented today.

Roll Call Vote:

Mike Lynch	Yes
Darin Gharat	Yes
Sam Sharpe	Yes
Donna Riley	Yes
Michael O'Neal	Yes
Mandip Dhillon	Yes
Jim DeMartini	Yes

Motion carried unanimously

c. Updates to Existing Governance Docs
Agenda Item

Attachment 1	Attachment 4
Attachment 2	Attachment 5
Attachment 3	Attachment 6

Motion was made by Trustee Gharat and seconded by Trustee Dhillon to adopt the updated Investment Policy Statement and Investment Directives and eliminate the existing Emerging Manager Policy with the correction that the word "Staff" be replaced with the words "Executive Director" in any and all revisions that were recommended by the Investment Officer.

Roll Call Vote:

Jim DeMartini	Yes
Mike Lynch	Yes
Darin Gharat	Yes
Sam Sharpe	Yes
Donna Riley	Yes
Michael O'Neal	Yes
Mandip Dhillon	Yes

Motion carried unanimously

8. Administrative

- a. Information Technology Solutions (ITS) Project Update
- b. Board Room Committee Update

9. Closed Session

- a. Conference with Legal Counsel – Pending Litigation – One Case:
O’Neal et al v. Stanislaus County Employees’ Retirement Association
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LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9d)(4)

NONE

10. Members’ Forum (Information and Future Agenda Requests Only)

Trustee DeMartini apologized for being late. He was delayed because he was attending the Board of Supervisor meeting that ran late.

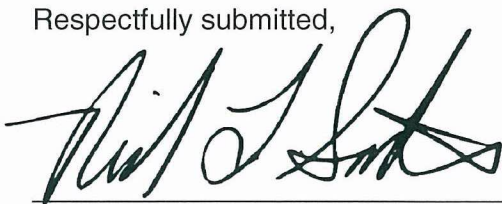
Kellie Gomes reminded the Board that we will need to know who will be attending the Fall SACRS in November before our next board meeting to be able to complete the expected item on next month’s agenda for proxies for the SACRS business meeting.

Rick Santos asked the Board if they would like to have an item on next month’s agenda to address the possible legislation regarding trustee board meeting stipends. The board expressed that there was no desire for an agenda item at this time.

11. Adjournment

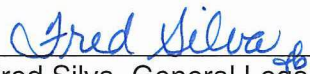
Meeting adjourned at 2:49 p.m.

Respectfully submitted,



Rick Santos, Executive Director

APPROVED AS TO FORM:
Fred Silva, GENERAL LEGAL COUNSEL

By: 
Fred Silva, General Legal Counsel



September 25, 2018

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

I. SUBJECT: Monthly Staff Report

II. ITEM NUMBER: 5.b

III. ITEM TYPE: Information Only

IV. STAFF RECOMMENDATION: None

V. ANALYSIS:

- a) *Member & Employer Services (MESS)* – During the month of August, Member and Employer Services Staff processed 45 new hires (5 Safety and 40 General) 24 terminations, 27 member requests resulting in 66 estimates and 11 member requests resulting in 24 buy back contracts. There were 45 individual counseling sessions and 1 group counseling session at New Employee Orientation.
- b) *Investment Governance and Compliance* – In August, staff worked with Verus to update the Investment Policy Statement and other investment directives. The RVK Public Fund Survey was completed with information as of June 30, 2018. Staff met with representatives from current investment managers LSV and American Realty Advisors, in order to stay current on existing investments. Finally, staff met with StanCERA auditors Brown Armstrong for a discussion on fraud prevention.
- c) *Fiscal Services* – Employer and employee contributions totaling \$8,221,331 were received through 15 different payroll batches in July. 19 contribution refunds and death benefit payouts totaling \$253,255 were processed which includes refund of contributions for one retired member. The retiree payroll for July totaled \$10,418,471 and was processed as scheduled.

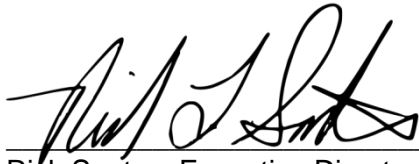
Staff continues to partner with Member Services in defining the business rules for the new pension software. The upload employers are starting to provide the import file for integrity testing. Once the files look good actual import files will be provided by the employers to test the data. Employee and employer contribution rates are being tested and the interest posting calculations have been tested. We continue to be on time and within budget for this project.

The plans for the Board Room Tenant Improvements have been posted for the bid process. Staff met with the 12th Street tenants and discussed concerns and issues that may arise during the construction phase. Staff met with SBT and Capital Projects to get a better idea of the audio/video equipment available to StanCERA. More research will be done and a Board Room IT Committee meeting will be held to discuss the options available.

VI. RISK: None

VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently*

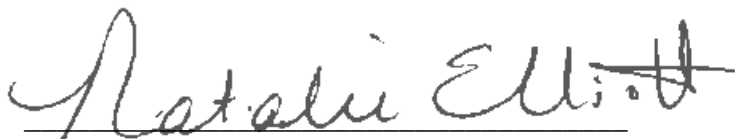
VIII. ADMINISTRATIVE BUDGET IMPACT: NONE

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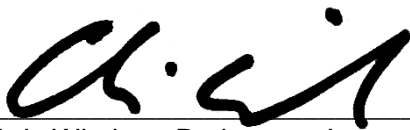
Rick Santos, Executive Director

A handwritten signature in black ink, appearing to read "Dawn Lea", written over a horizontal line.

Dawn Lea, Member and Employer Services Manager

A handwritten signature in black ink, appearing to read "Natalie Elliott", written over a horizontal line.

Natalie Elliott, Fiscal Services Manager

A handwritten signature in black ink, appearing to read "Chris Wisdom", written over a horizontal line.

Chris Wisdom, Retirement Investment Officer



September 25, 2018

Retirement Board Agenda Item

TO: Retirement Board

FROM: Dawn Lea, Member and Employer Services Manager

- I. SUBJECT: Legislation Update
- II. ITEM NUMBER: 5.c
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: AB 1597 – Turkish Divestment

In August, the California State Assembly approved the Turkish Divestment bill. The bill, AB 1597, prohibits the CalSTRS and CalPERS boards from making additional or new investments or renewing existing investments in any investment vehicle issued, owned, controlled or managed by the government of Turkey, and requires divestment from those investments within six months of the passage of a federal law imposing sanctions on Turkey. The bill also imposes certain reporting requirements on the boards to monitor the progress of such divestments. The reason for the bill, according to the author, is that Turkey violates the human rights of Armenians by continuing to deny the 1915 genocide of Armenians.

- VI. RISK: None
- VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.
- VIII. ADMINISTRATIVE BUDGET IMPACT: Based on a common sense reading of the bill's requirements, actuarial costs on an annual basis could increase significantly.

Dawn Lea, Member and Employer Services Manager

Chris Wisdom, Retirement Investment Officer

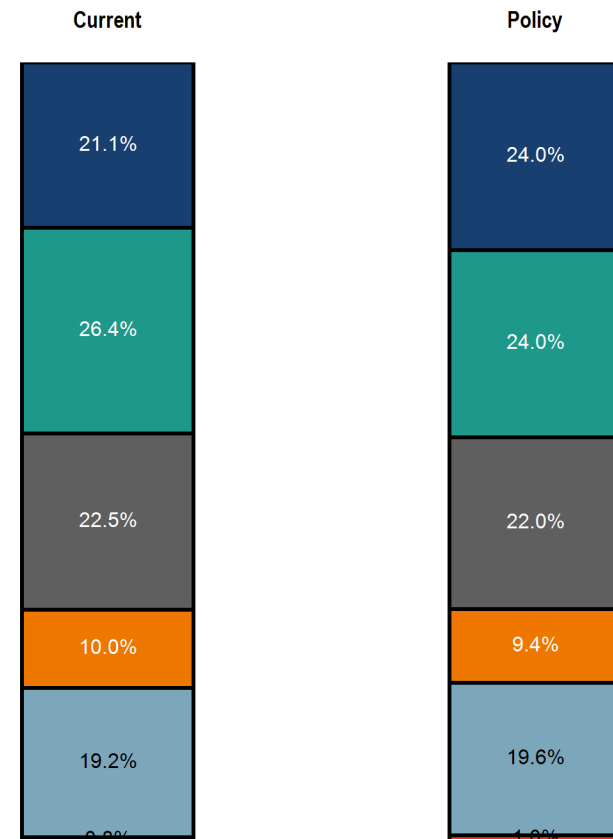
Rick Santos, Executive Director

Total Fund
Flash Report (Net of Fees) - Preliminary

9/25/18
Item 6.a
Period Ending: August 31, 2018

	Market Value	% of Portfolio	1 Mo	YTD	Fiscal YTD
Total Fund	2,151,069,922	100.0	0.5	2.7	1.9
<i>Policy Index</i>			0.6	2.7	2.2
US Equity	453,662,638	21.1	3.2	10.8	6.7
<i>US Equity Blended</i>			3.6	10.9	6.8
<i>Russell 3000</i>			3.5	10.4	6.9
Northern Trust Russell 1000	122,342,451	5.7	3.4	10.0	7.0
<i>Russell 1000</i>			3.4	10.1	7.0
BlackRock Russell 1000 Growth	122,691,667	5.7	5.5	16.4	8.6
<i>Russell 1000 Growth</i>			5.5	16.4	8.6
BlackRock Russell 1000 Value	42,176,799	2.0	1.5	3.8	5.5
<i>Russell 1000 Value</i>			1.5	3.7	5.5
Dodge & Cox-Equity	79,694,084	3.7	1.7	7.6	6.3
<i>Russell 1000 Value</i>			1.5	3.7	5.5
Capital Prospects	86,757,610	4.0	2.1	8.4	4.7
<i>Russell 2000 Value</i>			2.4	9.9	4.2
International Equity	568,076,491	26.4	-2.1	-4.1	0.0
<i>MSCI ACWI ex USA Gross</i>			-2.1	-3.2	0.3
LSV Asset Mgt	282,950,905	13.2	-2.9	-5.7	-0.2
<i>MSCI ACWI ex USA Gross</i>			-2.1	-3.2	0.3
Fidelity	285,125,586	13.3	-1.2	-2.5	0.3
<i>MSCI ACWI ex USA Gross</i>			-2.1	-3.2	0.3
US Fixed Income	484,595,162	22.5	0.6	0.0	0.7
<i>BBGBarc US Aggregate TR</i>			0.6	-1.0	0.7
Insight	218,337,314	10.2	0.5	0.0	0.8
<i>BBGBarc US Govt/Credit 1-5 Yr. TR</i>			0.5	0.1	0.5
DFA	208,062,528	9.7	0.5	0.2	0.7
<i>ICE BofAML 1-5 Yrs US Corp & Govt TR</i>			0.4	0.2	0.5
Northern Trust Intermediate Gov't Bond	43,463,526	2.0	0.6	-0.3	0.4
<i>BBGBarc US Govt Int TR</i>			0.6	-0.3	0.4
Northern Trust Long Term Gov't Bond	14,731,794	0.7	1.6	-2.9	0.1
<i>BBGBarc US Govt Long TR</i>			1.6	-2.9	0.1

	Current	%	Policy	%
Domestic Equity	\$453,662,638	21.1%	\$516,256,781	24.0%
International Equity	\$568,076,491	26.4%	\$516,256,781	24.0%
Domestic Fixed Income	\$484,595,162	22.5%	\$473,235,383	22.0%
Real Estate	\$215,913,904	10.0%	\$202,200,573	9.4%
Alternatives	\$412,333,172	19.2%	\$421,609,705	19.6%
Cash and Equivalents	\$16,488,554	0.8%	\$21,510,699	1.0%
Total	\$2,151,069,922	100.0%	\$2,151,069,922	100.0%



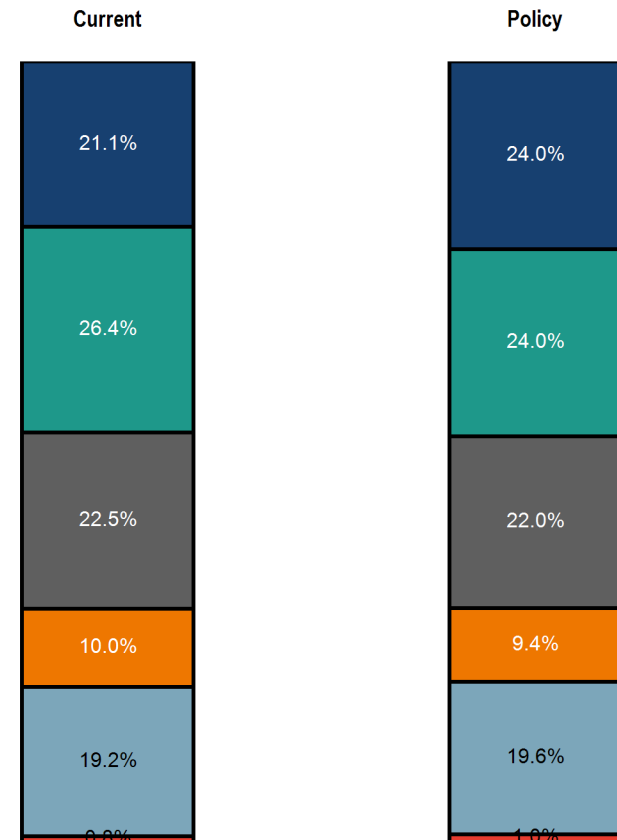
Policy Index (7/1/2017): 18.5% Russell 1000, 5.5% Russell 2000, 24% MSCI ACWI ex-USA, 19% BBGBarc US Gov't/Credit 1-3 Yr, 3% BBGBarc US Treasury 7-10 Yr, 7.7% NCREIF Property, 1.7% NCREIF Property +2%, 0.6% CPI +5%, 5% BBGBarc US High Yield +2%, 14% 60% MSCI ACWI / 40% BBGBarc Global Aggregate, 1% Citi 1 Month T-Bills. All data is preliminary.

Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: August 31, 2018

	Market Value	% of Portfolio	1 Mo	YTD	Fiscal YTD
Real Estate	215,913,904	10.0	1.8	6.3	3.1
DJ US Select RESI			3.0	5.4	3.5
Prime Property Fund	19,075,735	0.9	0.0	3.9	0.0
NCREIF-ODCE			0.0	4.3	0.0
American Strategic Value Realty	41,123,661	1.9	0.0	5.5	0.0
NCREIF Property Index			0.0	3.5	0.0
BlackRock US Real Estate	133,527,876	6.2	3.0	5.4	3.5
DJ US Select RESI TR USD			3.0	5.4	3.5
Greenfield Gap VII	15,893,567	0.7			
Greenfield Gap VIII	6,293,065	0.3			
Direct Lending	93,962,498	4.4			
Medley Capital	16,782,245	0.8			
Raven Capital	15,518,543	0.7			
Raven Opportunity III	31,780,560	1.5			
White Oak Pinnacle	29,881,150	1.4			
Risk Parity	283,169,668	13.2	0.6	-0.9	0.0
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			0.5	1.5	2.3
AQR Global Risk Premium - EL	144,647,284	6.7	1.2	--	0.6
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			0.5	--	2.3
PanAgora Risk Parity Multi Asset	138,522,384	6.4	0.0	-2.2	-0.7
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			0.5	1.5	2.3
Infrastructure	35,201,006	1.6			
MS Infrastructure Partners II	35,201,006	1.6			
Cash Account	16,488,554	0.8	0.1	1.0	0.3

	Current	%	Policy	%
Domestic Equity	\$453,662,638	21.1%	\$516,256,781	24.0%
International Equity	\$568,076,491	26.4%	\$516,256,781	24.0%
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Alternatives	\$412,333,172	19.2%	\$421,609,705	19.6%
Cash and Equivalents	\$16,488,554	0.8%	\$21,510,699	1.0%
Total	\$2,151,069,922	100.0%	\$2,151,069,922	100.0%



Policy Index (7/1/2017): 18.5% Russell 1000, 5.5% Russell 2000, 24% MSCI ACWI ex-USA, 19% BBgBarc US Gov't/Credit 1-3 Yr, 3% BBgBarc US Treasury 7-10 Yr, 7.7% NCREIF Property, 1.7% NCREIF Property +2%, 0.6% CPI +5%, 5% BBgBarc US High Yield +2%, 14% 60% MSCI ACWI / 40% BBgBarc Global Aggregate, 1% Citi 1 Month T-Bills. All data is preliminary.

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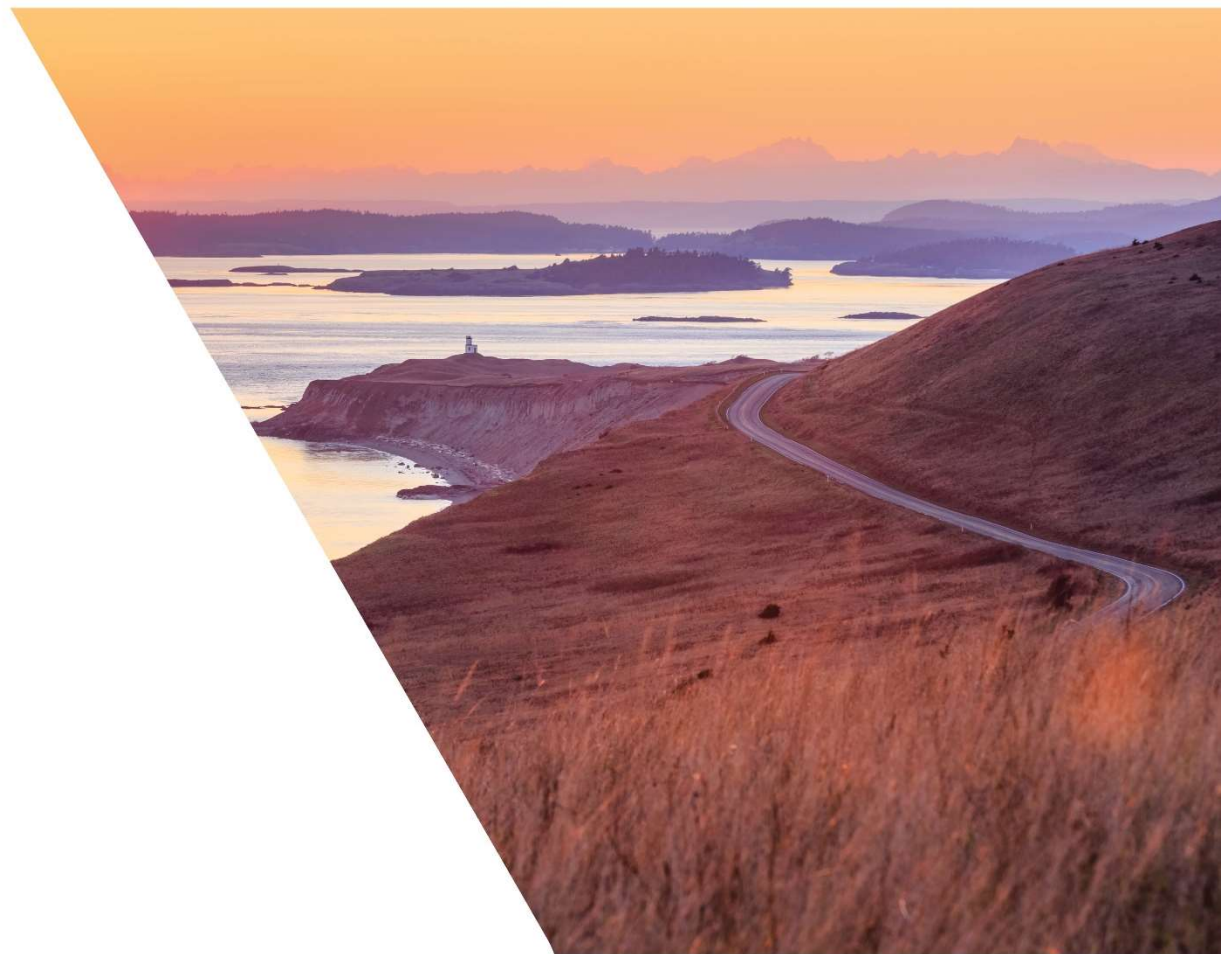
The information presented may be deemed to contain forward-looking information. Examples of forward looking information include, but are not limited to, (a) projections of or statements regarding return on investment, future earnings, interest income, other income, growth prospects, capital structure and other financial terms, (b) statements of plans or objectives of management, (c) statements of future economic performance, and (d) statements of assumptions, such as economic conditions underlying other statements. Such forward-looking information can be identified by the use of forward looking terminology such as believes, expects, may, will, should, anticipates, or the negative of any of the foregoing or other variations thereon comparable terminology, or by discussion of strategy. No assurance can be given that the future results described by the forward-looking information will be achieved. Such statements are subject to risks, uncertainties, and other factors which could cause the actual results to differ materially from future results expressed or implied by such forward looking information. The findings, rankings, and opinions expressed herein are the intellectual property of Verus and are subject to change without notice. The information presented does not claim to be all-inclusive, nor does it contain all information that clients may desire for their purposes. The information presented should be read in conjunction with any other material provided by Verus, investment managers, and custodians.

Verus will make every reasonable effort to obtain and include accurate market values. However, if managers or custodians are unable to provide the reporting period's market values prior to the report issuance, Verus may use the last reported market value or make estimates based on the manager's stated or estimated returns and other information available at the time. These estimates may differ materially from the actual value. Hedge fund market values presented in this report are provided by the fund manager or custodian. Market values presented for private equity investments reflect the last reported NAV by the custodian or manager net of capital calls and distributions as of the end of the reporting period. These values are estimates and may differ materially from the investments actual value. Private equity managers report performance using an internal rate of return (IRR), which differs from the time-weighted rate of return (TWRR) calculation done by Verus. It is inappropriate to compare IRR and TWRR to each other. IRR figures reported in the illiquid alternative pages are provided by the respective managers, and Verus has not made any attempts to verify these returns. Until a partnership is liquidated (typically over 10-12 years), the IRR is only an interim estimated return. The actual IRR performance of any LP is not known until the final liquidation.

Verus receives universe data from InvestorForce, eVestment Alliance, and Morningstar. We believe this data to be robust and appropriate for peer comparison. Nevertheless, these universes may not be comprehensive of all peer investors/managers but rather of the investors/managers that comprise that database. The resulting universe composition is not static and will change over time. Returns are annualized when they cover more than one year. Investment managers may revise their data after report distribution. Verus will make the appropriate correction to the client account but may or may not disclose the change to the client based on the materiality of the change.



PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS



SEPTEMBER 2018

Private markets pacing study

Stanislaus County Employees' Retirement Association

Executive summary

- At the July Board Meeting, the Board approved a long-term asset allocation that includes 6% of total plan assets allocated to private equity and 6% to private credit.
- To reach the target allocations, given the illiquid nature of private markets investing, a pacing study is used to forecast expected cash flows and growth of plan assets.
- This study is being provided for informational purposes only. It is to serve as the guide for commitments to specific funds in the future, and it is expected to be updated annually to capture realized experiences.

Inputs and assumptions

Plan assets as of June 30, 2018 = \$2,114,397,932

Long-term growth of assets = 6.6% based on projected returns of current

Net distributions (contributions less payments & expenses) from the Plan are forecasted to be:

Remainder of 2018 = \$11.7mm	2024 = \$41.5mm
2019 = \$29.1mm	2025 = \$43.6mm
2020 = \$25.1mm	2026 = \$47.5mm
2021 = \$29.9mm	2027 = \$51.8mm
2022 = \$33.7mm	2028 = \$56.5mm
2023 = \$38.4mm	

Long-term asset allocation targets to be phased in over 5 – 7 years

Capital calls and distributions estimated based on maturity and type of fund

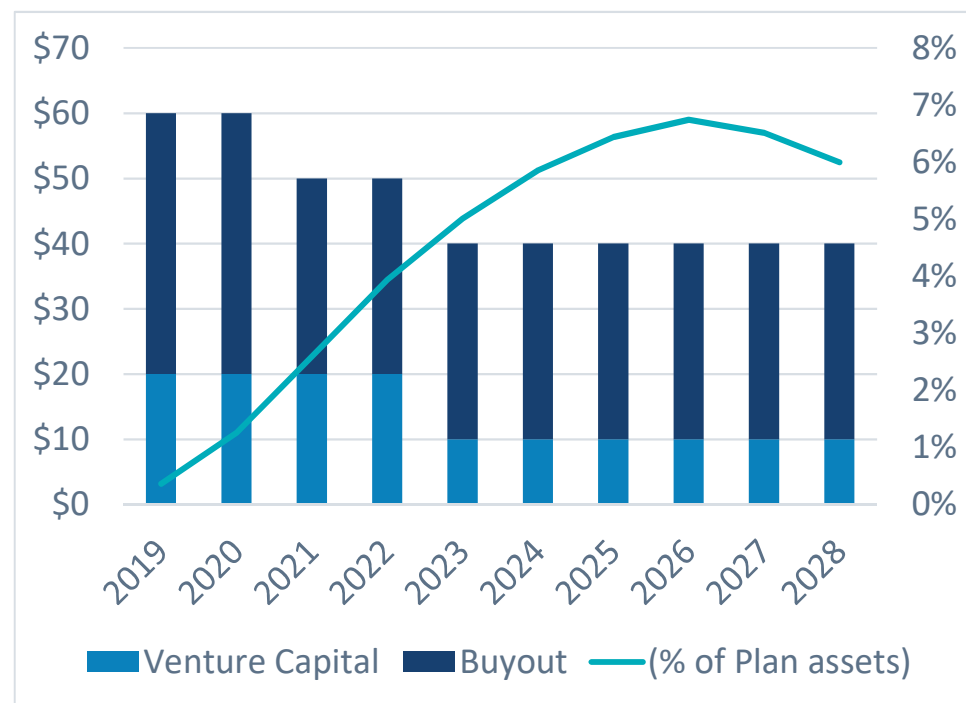
Private markets pacing analysis

<i>(in millions)</i>	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Plan Assets	\$2,172	\$2,287	\$2,412	\$2,542	\$2,676	\$2,814	\$2,958	\$3,110	\$3,268	\$3,432	\$3,602
Annual Commitment		\$135	\$135	\$125	\$125	\$110	\$110	\$110	\$110	\$110	\$110
Private Equity		60	60	50	50	40	40	40	40	40	40
Venture Capital		20	20	20	20	10	10	10	10	10	10
Buyout		40	40	30	30	30	30	30	30	30	30
Private Credit		75	75	75	75	70	70	70	70	70	70
Direct Lending		35	35	35	35	35	35	35	35	35	35
Special Situations		40	40	40	40	35	35	35	35	35	35
Private Markets											
(\$ amount)	\$86	\$104	\$145	\$207	\$261	\$301	\$337	\$375	\$410	\$428	\$434
(% of assets)	4.0%	4.5%	6.0%	8.1%	9.7%	10.7%	11.4%	12.0%	12.5%	12.5%	12.0%
Target											
(\$ amount)	\$261	\$274	\$289	\$305	\$321	\$338	\$355	\$373	\$392	\$412	\$432
Private Markets (% of assets)	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Allocation vs. Target											
(\$ amount)	(\$174)	(\$171)	(\$145)	(\$98)	(\$61)	(\$36)	(\$18)	\$1	\$17	\$16	\$1
(% of assets)	-8.0%	-7.5%	-6.0%	-3.9%	-2.3%	-1.3%	-0.6%	0.0%	0.5%	0.5%	0.0%

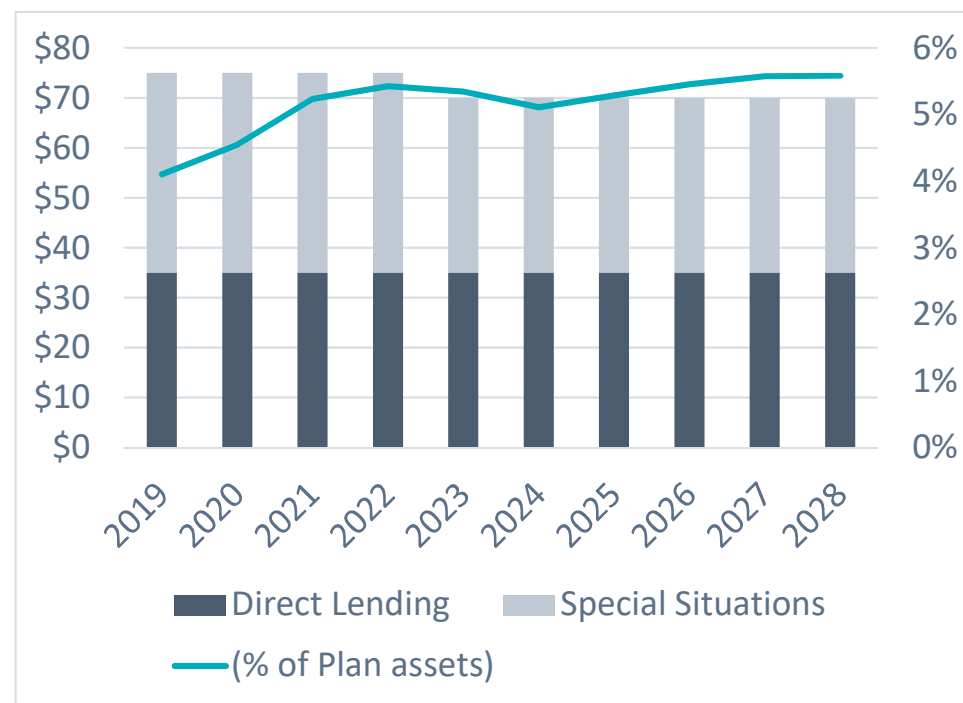
Private markets pacing analysis

Increase commitments in early years to reach target within 5-7 years

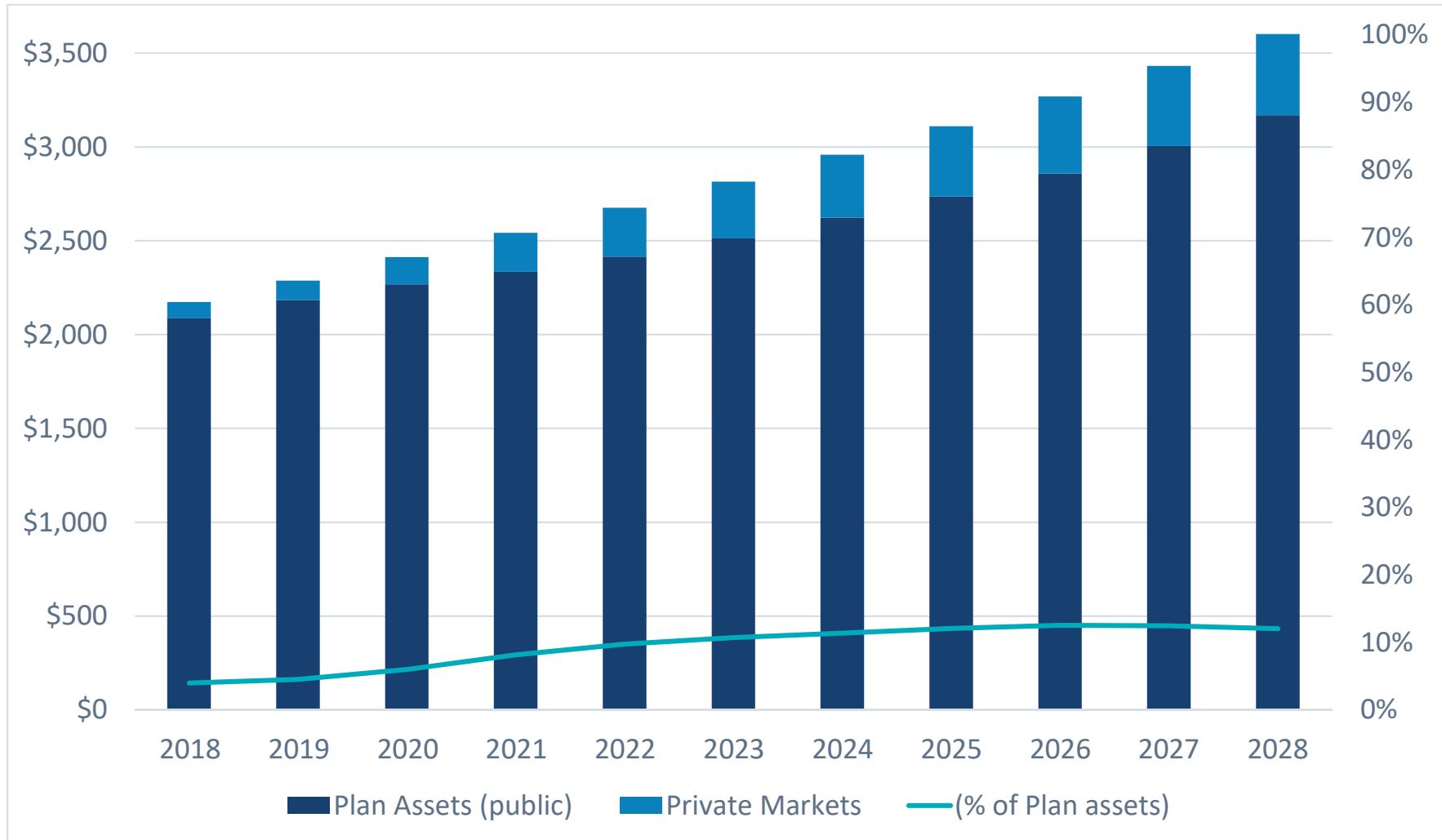
PRIVATE EQUITY



PRIVATE CREDIT



Total plan with private market assets growth



Next Steps

- Pending any necessary adjustments to this study, Verus will provide Staff with recommended funds for the Plan's consideration following approved policy guidelines.

Notices & disclosures

Past performance is no guarantee of future results.

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Verus – also known as Verus Advisory™ or Verus Investors™.



September 25, 2018

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Fiscal Year 2017-2018 Auxiliary Investment Report
- II. ITEM NUMBER: 7.a
- III. ITEM TYPE: Information/Discussion
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: Attachment 1 contains the Fiscal Year 2017-2018 Auxiliary Investment Report.

Value Added Analysis (pages 1 and 2)

The Value Added Analysis measures the dollar value investment managers added to the portfolio after fees compared to what would've been earned had the portfolio been invested in strictly passive investments (the benchmark). This analysis focuses on investments that are not a part of the alternative or real asset investment classes. During fiscal year 2017-2018, the portfolio lost approximately \$1.9 million compared to a passive investment.

Dodge & Cox equity and the AQR risk parity strategies added approximately \$4.1 million and \$8.6 million, respectively. LSV, Dimensional and the Legato sub-managers lost the most value relative to a passive benchmark, losing \$6.5, \$2.5 and \$4.9 million, respectively.

Investment Fee Summary (pages 3 – 5)

The Investment Fee Summary displays the total fees StanCERA pays to all managers to manage its portfolio. The summary breaks down fees into managerial, performance, other and custodial and shows both dollars and annualized basis points. During fiscal year 2017-2018, StanCERA paid approximately \$10.9 million or 48 basis points to manage its entire portfolio. The category of fees can be broken out as follows:

2017-2018 Investment Management Fees

<u>Fee Type</u>	<u>Fees In Dollars</u>	<u>Fees in Basis Points</u>
Managerial	\$7,839,853	34.8
Performance	1,165,381	5.2
Other	1,570,845	7.0
Custodial	305,427	1.4
Total	\$10,881,506	48.3

The alternative and real asset classes consumed the most fees at \$3.3 and \$2.9 million , respectively.

Alternative Auxiliary Reports (pages 6 – 13)

The Alternative Auxiliary Reports display information on the direct lending, infrastructure, core real estate and value added real estate asset classes.

Real estate continues to fare very well as American, Greenfield and Morgan Stanley Prime posted IRRs (since inception) as of June 30, 2018 of 16.8%, 17.2% and 9.1%, respectively. The North Haven infrastructure fund posted an IRR of 16.0%.

The direct lending portfolio continues to show below expected results. Additionally, these results are actually starting to stabilize and display little movement between reporting periods. The White Oak fund posted the best results at 7.4% while Raven I and Medley posted IRRs of 1.1% and 3.3%, respectively. The Raven III fund has begun to tick up and posted an early IRR of 2.6%.

Cash Flow Report (page 14)

This report is self-explanatory.

Functionally Focused Portfolio (FFP) Shortfall Report (page 15)

Over the first year of the program, StanCERA's actual benefit shortfalls (benefits plus expenses less contributions) turned out to be \$22.3 million. StanCERA had budgeted and invested capital to supply us with exactly \$21.1 million to fund those shortfalls at just the point they were needed. Thus our projection over this period turned out to be short by about \$1.2 million. As a percentage of the actual shortfall, this amounts to an error of approximately 5.9%.

- VI. RISK: None
- VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.
- VIII. ADMINISTRATIVE BUDGET IMPACT: None



Rick Santos, Executive Director



Value Added Analysis

1

7/1/2017

thru

6/30/2018

Active Domestic Equity

Mngr_ID	Manager	Benchmark Index	Average AUM	Manager	Dollar Returns		Fees	Value Added	Dollar at Risk
					Benchmark	Excess Return			
1	Dodge Cox Equity	Russell 1000 Value	\$149,092,997	\$18,447,745	\$14,277,870	\$4,169,874	\$316,306	\$4,046,343	\$0.03
4	Bernzott	Russell 2000 Value	\$15,379,096	\$3,132,902	\$1,960,761	\$1,172,141	\$100,502	\$1,162,226	\$0.08
25	Channing	Russell 2000 Value	\$23,930,313	\$2,601,287	\$3,040,568	-\$439,281	\$158,036	-\$594,313	-\$0.02
26	Inview	Russell 2000 Value	\$23,995,830	\$2,899,887	\$2,948,517	-\$48,630	\$153,708	-\$166,407	-\$0.01
27	Keeley	Russell 2000 Value	\$13,064,330	\$1,415,007	\$1,623,615	-\$208,608	\$85,840	-\$303,345	-\$0.02
28	Pacific Ridge	Russell Micro Cap Value	\$20,436,099	\$3,921,054	\$3,927,249	-\$6,195	\$158,470	-\$165,380	-\$0.01
29	Walhausen	Russell 2000 Value	\$14,857,469	\$1,502,179	\$1,861,132	-\$358,953	\$98,904	-\$458,179	-\$0.03
7	Jackson Square	Russell 1000 Growth	\$109,089,132	\$26,564,835	\$27,353,785	-\$788,950	\$430,497	-\$1,255,870	-\$0.01
19	AMI	Russell 2000 Growth	\$10,752,788	-\$1,292,268	\$160,407	-\$1,452,674	\$25,162	-\$1,595,423	-\$0.15
22	Rice Hall	Russell 2000 Growth	\$17,787,060	-\$967,978	\$221,024	-\$1,189,001	\$42,378	-\$1,329,723	-\$0.07
36	Essex	Russell 2000 Growth	\$9,288,188	-\$1,038,442	\$164,584	-\$1,203,026	\$21,828	-\$1,319,755	-\$0.14
37	Redwood	Russell 2000 Growth	<u>\$12,759,556</u>	<u>-\$347,723</u>	<u>\$156,465</u>	<u>-\$504,188</u>	<u>\$72,138</u>	<u>-\$618,572</u>	-\$0.05
Total Active Domestic Equity			\$420,432,860	\$56,838,486	\$57,695,977	-\$857,491	\$1,663,768	-\$2,598,398	-\$0.01

Passive Domestic Equity

Mngr_ID	Manager	Benchmark Index	Average AUM	Manager	Dollar Returns		Fees	Value Added	Dollar at Risk
					Benchmark	Excess Return			
11	Blackrock Value	Russell 1000 Value	\$103,124,366	\$8,150,033	\$8,031,616	\$118,417	\$23,964	\$99,802	\$0.00
12	Blackrock Growth	Russell 1000 Growth	\$115,928,198	\$23,076,234	\$23,112,363	-\$36,130	\$27,060	-\$66,295	\$0.00
41	Northern Trust Russell 1000 Fund	Russell 1000	\$155,620,915	\$15,995,827	\$16,015,993	-\$20,167	\$20,842	-\$42,648	\$0.00
14	BNYM S&P	S&P 500	<u>\$56,892,708</u>	<u>\$2,399,851</u>	<u>\$2,383,492</u>	<u>\$16,360</u>	<u>\$286</u>	<u>\$17,464</u>	\$0.00
Total Passive Domestic Equity			\$431,566,186	\$49,621,945	\$49,543,464	\$78,480	\$72,152	\$8,324	\$0.00

Active International Equity

Mngr_ID	Manager	Benchmark Index	Average AUM	Manager	Dollar Returns		Fees	Value Added	Dollar at Risk
					Benchmark	Excess Return			
8	LSV	MSCI ACWI ex USA GD	\$228,899,279	\$11,074,746	\$16,357,605	-\$5,282,859	\$1,062,635	-\$6,499,120	-\$0.03
10	Fidelity	MSCI ACWI ex USA GD	<u>\$221,970,755</u>	<u>\$15,317,361</u>	<u>\$16,084,647</u>	<u>-\$767,286</u>	<u>\$690,947</u>	<u>-\$1,695,309</u>	-\$0.01
Total Active International Equity			\$450,870,034	\$26,392,106	\$32,442,251	-\$6,050,145	\$1,753,582	-\$8,194,428	-\$0.02

Active Domestic Fixed Income

Mngr_ID	Manager	Benchmark Index	Average AUM	Manager	Dollar Returns		Fees	Value Added	Dollar at Risk
					Benchmark	Excess Return			
34	Insight Investment	US Govt. Credit Blend	\$99,625,548	\$30,419	-\$341,366	\$371,784	\$135,430	\$251,254	\$0.00
35	Dimensional Fund Advisors	BB Barclays US Credit 1-3 Years	\$269,149,497	-\$1,575,232	\$547,624	-\$2,122,856	\$295,814	-\$2,526,543	-\$0.01
Total Active Domestic Fixed Income			\$368,775,046	-\$1,544,813	\$206,259	-\$1,751,072	\$431,244	-\$2,275,289	-\$0.01

Passive Domestic Fixed Income

Mngr_ID	Manager	Benchmark Index	Average AUM	Manager	Dollar Returns		Fees	Value Added	Dollar at Risk
					Benchmark	Excess Return			
39	Northern Trust Long Term Bond Fund	BB Barc US Agg Govt/Cred Long	\$14,747,421	\$76,643	-\$224,642	\$301,285	\$6,330	\$299,491	\$0.02
40	Northern Trust Intermediate Term Bond Fund	BB Barc US Ag Gvt/Cr Intrmd	<u>\$43,466,621</u>	<u>-\$464,505</u>	<u>-\$452,209</u>	<u>-\$12,296</u>	<u>\$18,551</u>	<u>-\$36,694</u>	\$0.00
Total Passive Fixed Income			\$58,214,042	-\$387,863	-\$676,851	\$288,989	\$24,881	\$262,797	\$0.00



StanCERA Investment Fee Summary - Total Portfolio Level

Fiscal Year to Date

7/1/2017

thru

6/30/2018

Fees In Dollars

Annualized Fees in Basis Points

	<u>Average AUM</u>	<u>Managerial</u>	<u>Performance*</u>	<u>Other</u>	<u>Custodial</u>	<u>Total</u>	<u>Managerial</u>	<u>Performance</u>	<u>Other</u>	<u>Custodial</u>	<u>Total</u>
Total StanCERA Portfolio	\$2,261,450,792	\$7,839,853	\$1,165,381	\$1,570,845	\$305,427	\$10,881,506	34.8	5.2	7.0	1.4	48.3

Fees By Asset Class

	<u>Average AUM</u>	<u>Managerial</u>	<u>Performance</u>	<u>Other</u>	<u>Custodial</u>	<u>Total</u>	<u>Managerial</u>	<u>Performance</u>	<u>Other</u>	<u>Custodial</u>	<u>Total</u>
Domestic Equity	\$792,989,369	\$1,392,371	\$0	\$110,644	\$71,112	\$1,574,127	17.6	0.0	1.4	0.9	19.9
Domestic Fixed Income	\$427,437,455	\$434,715	\$0	\$0	\$21,410	\$456,126	10.2	0.0	0.0	0.5	10.7
International Equity	\$450,870,034	\$1,130,981	\$438,317	\$0	\$184,284	\$1,753,582	25.2	9.8	0.0	4.1	39.0
Alternatives	\$94,740,806	\$1,826,704	\$427,771	\$1,026,052	\$9,741	\$3,290,269	193.5	45.3	108.7	1.0	348.5
Real Assets	\$194,436,127	\$2,429,287	\$299,292	\$206,220	\$14,401	\$2,949,201	125.4	15.4	10.6	0.7	152.2
Risk Parity	\$281,722,064	\$625,794	\$0	\$227,928	\$4,479	\$858,201	22.3	0.0	8.1	0.2	30.6
Cash	\$19,254,937	\$0	\$0	\$0	\$0	\$0	0.0	0.0	0.0	0.0	0.0

Fees By Investment Discretion

	<u>Average AUM</u>	<u>Managerial</u>	<u>Performance</u>	<u>Other</u>	<u>Custodial</u>	<u>Total</u>	<u>Managerial</u>	<u>Performance</u>	<u>Other</u>	<u>Custodial</u>	<u>Total</u>
Active	\$1,723,540,737	\$7,653,025	\$1,165,381	\$1,570,845	\$294,460	\$10,683,711	44.6	6.8	9.1	1.7	62.2
Passive	\$537,910,055	\$186,828	\$0	\$0	\$10,967	\$197,795	3.5	0.0	0.0	0.2	3.7

Fees By Investment Style

	<u>Average AUM</u>	<u>Managerial</u>	<u>Performance</u>	<u>Other</u>	<u>Custodial</u>	<u>Total</u>	<u>Managerial</u>	<u>Performance</u>	<u>Other</u>	<u>Custodial</u>	<u>Total</u>
Large Cap Value	\$252,217,363	\$325,029	\$0	\$0	\$15,241	\$340,269	12.9	0.0	0.0	0.6	13.5
Small Cap Value	\$111,663,138	\$712,040	\$0	\$0	\$43,419	\$755,459	64.0	0.0	0.0	3.9	67.9
Large Cap Growth	\$273,487,953	\$334,461	\$0	\$110,644	\$12,452	\$457,557	12.3	0.0	4.1	0.5	16.8
Core	\$606,490,949	\$1,151,823	\$438,317	\$0	\$184,284	\$1,774,424	19.1	7.3	0.0	3.0	29.4
Short-Term Govt Credit	\$269,623,976	\$281,946	\$0	\$0	\$13,868	\$295,814	10.5	0.0	0.0	0.5	11.0
Immunization	\$99,599,436	\$127,888	\$0	\$0	\$7,542	\$135,430	12.9	0.0	0.0	0.8	13.6
Value Added Real Estate	\$47,224,195	\$1,484,043	\$291,846	\$13,105	\$5,847	\$1,794,841	315.3	62.0	2.8	1.2	381.4
Core Real Estate	\$123,377,082	\$255,923	\$7,446	\$0	\$6,093	\$269,463	20.8	0.6	0.0	0.5	21.9
Private Credit	\$94,740,806	\$1,826,704	\$427,771	\$1,026,052	\$9,741	\$3,290,269	193.5	45.3	108.7	1.0	348.5
Infrastructure	\$23,834,850	\$689,321	\$0	\$193,115	\$2,461	\$884,897	290.2	0.0	81.3	1.0	372.5
Risk Parity	\$281,722,064	\$625,794	\$0	\$227,928	\$4,479	\$858,201	22.3	0.0	8.1	0.2	30.6
US Treasury	\$58,214,042	\$24,881	\$0	\$0	\$0	\$24,881	4.3	0.0	0.0	0.0	4.3
Cash	\$19,254,937	\$0	\$0	\$0	\$0	\$0	0.0	0.0	0.0	0.0	0.0

* Performance fees can be negative due to the clawback of incentive fees



Investment Fees By Type

<u>By Asset Class</u>	<u>Fees</u>
Domestic Equity	\$1,574,127
Domestic Fixed Income	\$456,126
International Equity	\$1,753,582
Alternatives	\$3,290,269
Real Assets	\$2,949,201
Risk Parity	\$858,201
Cash	\$0
Total	\$10,881,506

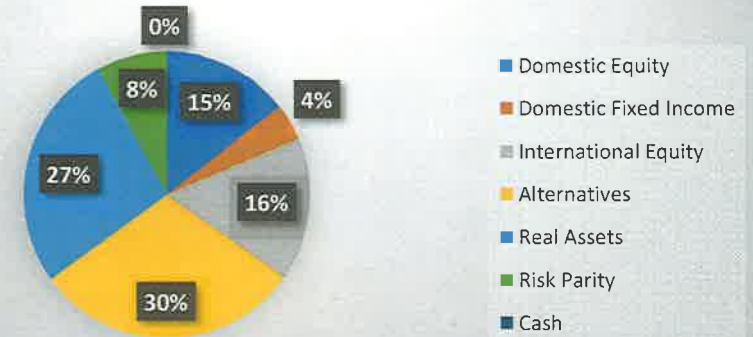
<u>By Investment Discretion</u>	<u>Fees</u>
Active	\$10,683,711
Passive	\$197,795
Total	\$10,881,506

<u>By Investment Style</u>	<u>Fees</u>
Large Cap Value	\$340,269
Small Cap Value	\$755,459
Large Cap Growth	\$457,557
Core	\$1,774,424
Short-Term Govt Credit	\$295,814
Immunization	\$135,430
Value Added Real Estate	\$1,794,841
Core Real Estate	\$269,463
Private Credit	\$3,290,269
Infrastructure	\$884,897
Risk Parity	\$858,201
US Treasury	\$24,881
Cash	\$0

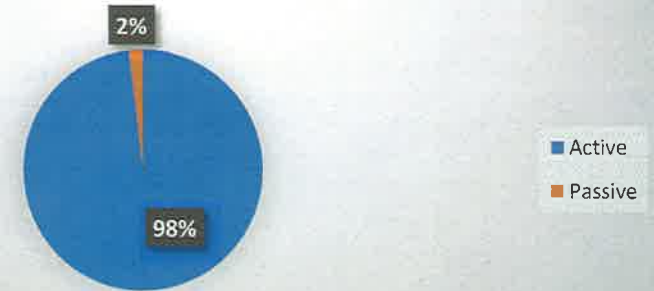
Total \$10,881,506

7/1/2017 thru 6/30/2018

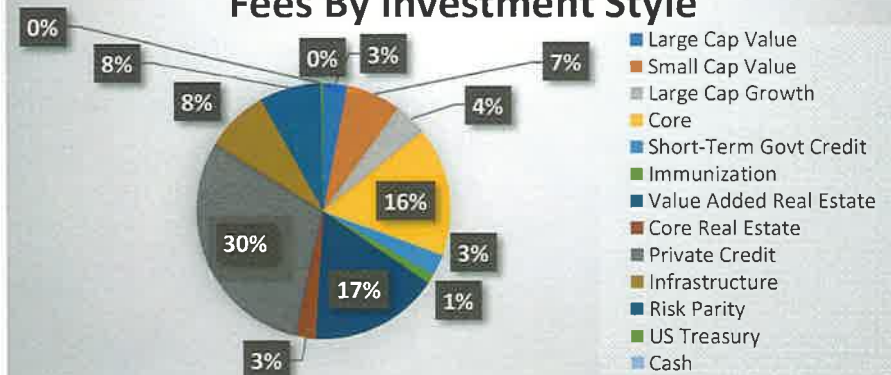
Fees By Asset Class



Fees By Investment Discretion



Fees By Investment Style





StanCERA Investment Fee Summary - Manager Level

7/1/2017 thru 6/30/2018

Mngr_ID	Discretion	Manager Name	Fees in Dollars						Fees in Annualized Basis Points				
			Average AUM	Management	Performance	Other	Custodial	Total	Management	Performance	Other	Custodial	Total
1	Active	Dodge Cox Equity	\$149,092,997	\$304,642	\$0	\$0	\$11,663	\$316,306	20.5	0.0	0.0	0.8	21.3
4	Active	Bernzott	\$15,379,096	\$94,870	\$0	\$0	\$5,632	\$100,502	61.9	0.0	0.0	3.7	65.6
8	Active	LSV	\$228,899,279	\$572,929	\$365,583	\$0	\$124,123	\$1,062,635	25.1	16.0	0.0	5.4	46.6
10	Active	Fidelity	\$221,970,755	\$558,052	\$72,734	\$0	\$60,161	\$690,947	25.2	3.3	0.0	2.7	31.2
11	Passive	Blackrock Value	\$103,124,366	\$20,386	\$0	\$0	\$3,578	\$23,964	2.0	0.0	0.0	0.3	2.3
12	Passive	Blackrock Growth	\$115,928,198	\$23,406	\$0	\$0	\$3,654	\$27,060	2.0	0.0	0.0	0.3	2.3
13	Active	Raven Asset-Based Opportunity Fund I L.P.	\$15,953,592	\$276,921	\$0	\$338,638	\$2,332	\$617,890	174.2	0.0	213.0	1.5	388.6
15	Active	White Oak Pinnacle Fund L.P.	\$32,859,766	\$487,962	\$428,147	\$89,424	\$2,539	\$1,008,072	149.0	130.7	27.3	0.8	307.8
16	Active	Medley Opportunity Fund II L.P.	\$20,463,160	\$186,821	-\$376	\$159,062	\$2,389	\$347,896	91.6	-0.2	78.0	1.2	170.6
17	Passive	Blackrock US Real Estate	\$105,022,534	\$97,312	\$0	\$0	\$3,736	\$101,048	9.3	0.0	0.0	0.4	9.7
18	Active	Greenfield GAP VII Management Fund, L.L.C	\$14,563,280	\$225,000	\$157,526	\$13,105	\$2,310	\$397,941	155.0	108.5	9.0	1.6	274.2
25	Active	Channing	\$23,930,313	\$147,550	\$0	\$0	\$10,486	\$158,036	61.9	0.0	0.0	4.4	66.3
26	Active	Inview	\$23,995,830	\$147,961	\$0	\$0	\$5,747	\$153,708	61.9	0.0	0.0	2.4	64.3
27	Active	Keeley	\$13,064,330	\$80,042	\$0	\$0	\$5,798	\$85,840	61.5	0.0	0.0	4.5	65.9
28	Active	Pacific Ridge	\$20,436,099	\$150,194	\$0	\$0	\$8,276	\$158,470	73.7	0.0	0.0	4.1	77.8
29	Active	Walhausen	\$14,857,469	\$91,423	\$0	\$0	\$7,481	\$98,904	61.7	0.0	0.0	5.1	66.8
30	Active	Morgan Stanley Prime Property Fund, L.L.C	\$18,354,549	\$158,612	\$7,446	\$0	\$2,357	\$168,415	86.7	4.1	0.0	1.3	92.1
31	Active	American Realty Advisors Fund	\$26,367,850	\$319,317	\$134,320	\$0	\$2,511	\$456,148	121.5	51.1	0.0	1.0	173.6
32	Active	North Haven Infrastructure II GP LP	\$23,834,850	\$689,321	\$0	\$193,115	\$2,461	\$884,897	290.2	0.0	81.3	1.0	372.5
33	Active	Raven Asset-Based Opportunity Fund III L.P.	\$25,464,288	\$875,000	\$0	\$438,929	\$2,481	\$1,316,410	344.8	0.0	173.0	1.0	518.7
34	Active	Insight Investment	\$99,599,436	\$127,888	\$0	\$0	\$7,542	\$135,430	14.0	0.0	0.0	0.8	14.9
35	Active	Dimensional Fund Advisors	\$269,623,976	\$281,946	\$0	\$0	\$13,868	\$295,814	12.6	0.0	0.0	0.6	13.2
38	Active	Northern Trust Cash Account	\$19,254,937	\$0	\$0	\$0	\$0	\$0	0.0	0.0	0.0	0.0	0.0
39	Passive	Northern Trust Long Term Bond Fund	\$14,747,421	\$6,330	\$0	\$0	\$0	\$6,330	4.7	0.0	0.0	0.0	4.7
40	Passive	Northern Trust Intermediate Term Bond Fund	\$43,466,621	\$18,551	\$0	\$0	\$0	\$18,551	4.7	0.0	0.0	0.0	4.7
41	Passive	Northern Trust Russell 1000 Fund	\$155,620,915	\$20,842	\$0	\$0	\$0	\$20,842	1.6	0.0	0.0	0.0	1.6
42	Active	PanAgora Diversified Risk Multi-Asset Fund, Ltd.	\$139,842,897	\$490,836	\$0	\$111,044	\$2,491	\$604,371	60.5	0.0	13.7	0.3	74.5
44	Active	AQR Capital Management	\$141,879,167	\$134,958	\$0	\$116,884	\$1,988	\$253,830	38.2	0.0	33.1	0.6	71.8
45	Active	Greenfield Acquisition Partners VIII, L.P.	\$6,293,064	\$939,726	\$0	\$0	\$1,026	\$940,752	1498.4	0.0	0.0	1.6	1500.0
7	Active	Jackson Square	\$157,559,755	\$311,054	\$0	\$110,644	\$8,798	\$430,497	19.8	0.0	7.0	0.6	27.4
Total			\$2,261,450,792	\$7,839,853	\$1,165,381	\$1,570,845	\$305,427	\$10,881,506	34.8	5.2	7.0	1.4	48.3



**American Realty Advisors Fund Auxiliary Reporting as of
6/30/2018**

Original Commitment:	\$30,000,000
Investment Start Date:	12/15/2014
Additional Commitment:	\$24,000,000
Commitment Period End Date:	Open End
Total Paid In Capital:	\$33,318,000
Total Distributed Capital:	\$4,669,728
Current Capital Balance:	\$37,427,661
Management Fee:	1.20%
Carried Interest:	20.0%
Hurdle Rate:	10.0%
Target Net Returns:	11% - 13%
Max. Potential Fees Paid on Uncommitted Capital:	Only on Invested Capital
Vintage Year:	2009

Performance Measurements Since Inception

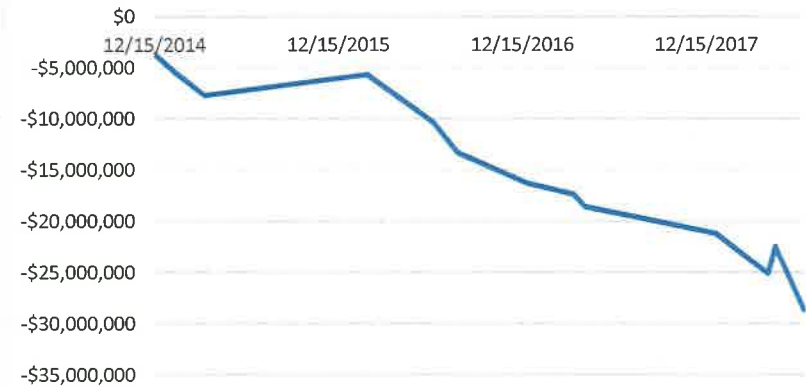
Net IRR Since Investment Start Date:	16.82%
Investment Multiple (TVPI):	\$1.26
Realization Multiple (DPI):	\$0.14
Residual Value Paid In Multiple (RVPI):	\$1.12
Paid In Capital Multiple (PIC):	111.1%

Fee Analysis Since Inception

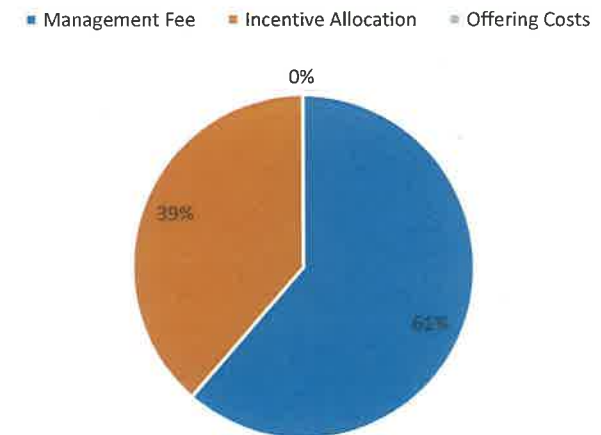
<u>Fee Type</u>	<u>Fee</u>
Management Fee	\$702,002
Incentive Allocation	\$441,525
Offering Costs	\$54

Total Fees \$1,143,581

**Cumulative Distributions and Contributions
(J-Curve)**



Fee Allocation





Original Commitment:	\$15,000,000
Investment Start Date:	7/8/2014
Commitment Period End Date:	12/1/2017
Total Paid In Capital:	\$17,190,048
Total Distributed Capital:	\$7,754,656
Current Capital Balance:	\$16,975,153
Management Fee:	1.50%
Carried Interest:	20.0%
Hurdle Rate:	8.0%
Target Net Returns:	13.0%
Max. Potential Fees Paid on Uncommitted Capital:	\$18,977
Vintage Year:	2011

Performance Measurements Since Inception

Net IRR Since Investment Start Date:	17.22%
Investment Multiple (TVPI):	\$1.44
Realization Multiple (DPI):	\$0.45
Residual Value Paid In Multiple (RVPI):	\$0.99
Paid In Capital Multiple (PIC):	114.6%
StanCERA % of Total Fund:	3.74%

Fee Analysis Since Inception

Fee Type	Fee
Management Fee	\$1,021,747
Partnership Operations	\$13,105
Incentive Allocation	\$157,526
Total Fees	\$1,192,378

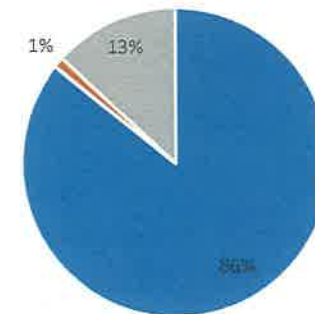
Cumulative Distributions and Contributions

(J-Curve)



Fee Allocation

■ Management Fee ■ Partnership Operations ■ Incentive Allocation





Medley Opportunity Fund II L.P. Auxiliary Reporting as of
6/30/2018

Original Commitment:	\$30,000,000
Investment Start Date:	5/16/2013
Commitment Period End Date:	Period Over
Total Paid In Capital:	\$33,346,007
Total Distributed Capital:	\$19,647,375
Current Capital Balance:	\$17,814,908
Management Fee:	1.50%
Carried Interest:	20.0%
Hurdle Rate:	8.0%
Target Net Returns:	13.6% - 16%
Vintage Year:	2011

Performance Measurements Since Inception

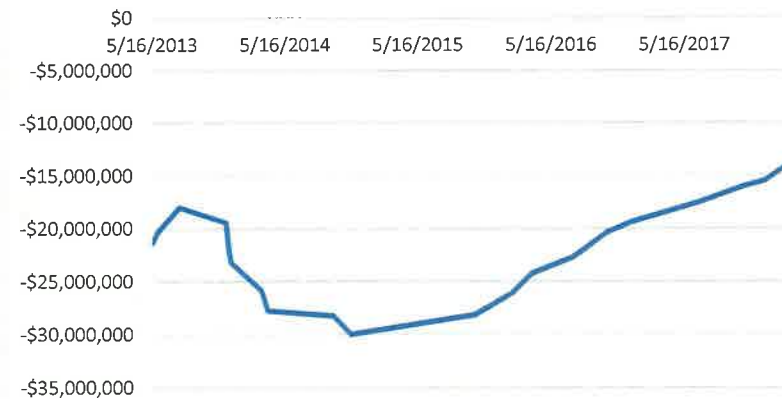
Net IRR Since Investment Start Date:	3.25%
Investment Multiple (TVPI):	\$1.12
Realization Multiple (DPI):	\$0.59
Residual Value Paid In Multiple (RVPI):	\$0.53
Paid In Capital Multiple (PIC):	1.11
StanCERA % of Total Fund:	5.16%

Fee Analysis Since Inception

<u>Fee Type</u>	<u>Fee</u>
Management Fee	\$2,266,692
Partnership Operations	\$639,417
Incentive Allocation	-\$103
Other Expense	\$252,518
Total Fees	\$3,158,524

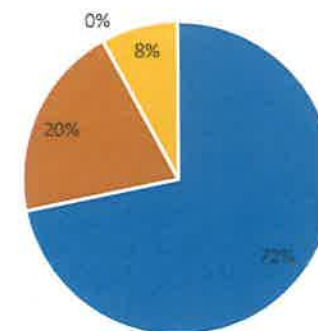
Cumulative Distributions and Contributions

(J-Curve)



Fee Allocation

■ Management Fee ■ Partnership Operations
■ Incentive Allocation ■ Other Expense





North Haven Infrastructure II GP LP Auxiliary Reporting as of
6/30/2018

Original Commitment:	\$50,000,000
Investment Start Date:	5/19/2015
Commitment Period End Date:	9/1/2019
Total Paid In Capital:	\$31,442,265
Total Distributed Capital:	\$8,332,266
Current Capital Balance:	\$30,177,146
Management Fee:	1.35%
Incentive Allocation:	20.0%
Hurdle Rate:	8.0%
Target Net Returns:	10.5% - 13.5%
Max. Potential Fees Paid on Uncommitted Capital:	\$293,570
Vintage Year:	2015

Performance Measurements Since Inception

Net IRR Since Investment Start Date:	15.95%
Investment Multiple (TVPI):	\$1.22
Realization Multiple (DPI):	\$0.27
Residual Value Paid In Multiple (RVPI):	\$0.96
Paid In Capital Multiple (PIC):	62.9%
Stancera % of Total Fund:	1.33%

Fee Analysis Since Inception

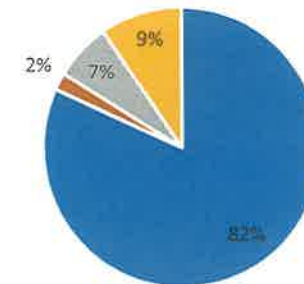
<u>Fee Type</u>	<u>Fee</u>
Management Fee	\$2,704,895
Syndication Costs	\$65,425
Other Expense	\$218,614
Partnership Operations	\$316,614
Total Fees	\$3,305,548

Cumulative Distributions and Contributions



Fee Allocation

■ Management Fee ■ Syndication Costs ■ Other Expense ■ Partnership Operations





Original Commitment:	\$15,000,000
Investment Start Date:	10/1/2015
Commitment Period End Date:	Open End
Total Paid In Capital:	\$15,000,000
Total Distributed Capital:	\$0
Current Capital Balance:	\$19,075,735
Management Fee:	0.84%
Incentive Allocation:	Max 0.35%
Hurdle Rate:	Formula Based
Target Net Returns:	7.8%
Max. Potential Fees Paid on Uncommitted Capital:	N/A
Vintage Year:	1973

Performance Measurements Since Inception

Net IRR Since Investment Start Date:	9.14%
Investment Multiple (TVPI):	\$1.27
Realization Multiple (DPI):	\$0.00
Residual Value Paid In Multiple (RVPI):	\$1.27
Paid In Capital Multiple (PIC):	100.0%
StanCERA % of Total Fund:	0.09%

Fee Analysis Since Inception

Fee Type	Fee
Management Fee	\$395,800
Incentive Allocation	\$63,072
Total Fees	\$458,872

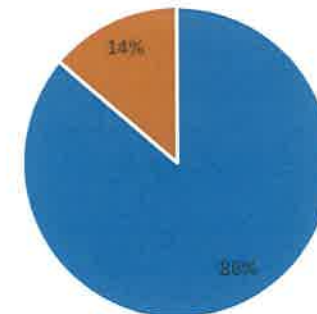
Cumulative Distributions and Contributions

(J-Curve)



Fee Allocation

■ Management Fee ■ Incentive Allocation





Raven Asset-Based Opportunity Fund I L.P. Auxiliary Reporting as of
6/30/2018

Original Commitment:	\$40,000,000
Investment Start Date:	5/22/2013
Commitment Period End Date:	Period Over
Total Paid In Capital:	\$34,668,305
Total Distributed Capital:	\$20,287,235
Current Capital Balance:	\$15,518,543
Management Fee:	1.75%
Carried Interest:	12.5%
Hurdle Rate:	8.0%
Target Net Returns:	13% - 17%
Vintage Year:	2012

Performance Measurements Since Inception

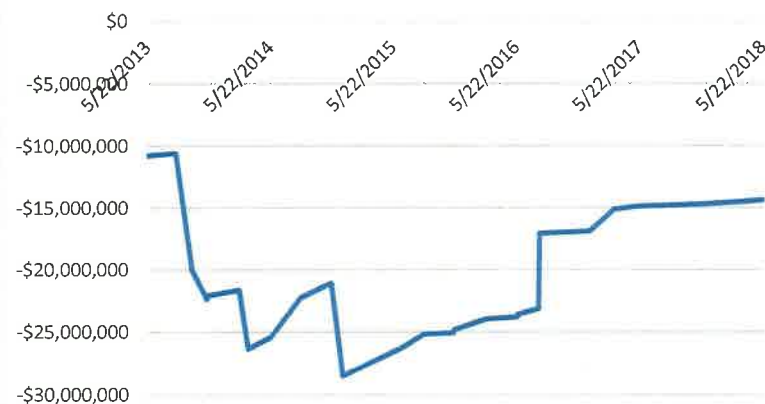
Net IRR Since Investment Start Date:	1.08%
Investment Multiple (TVPI):	\$1.03
Realization Multiple (DPI):	\$0.59
Residual Value Paid In Multiple (RVPI):	\$0.45
Paid In Capital Multiple (PIC):	0.87
StanCERA % of Total Fund:	26.26%

Fee Analysis Since Inception

<u>Fee Type</u>	<u>Fee</u>
Management Fee	\$3,077,903
Other Expense	\$1,231,547
Service Fee	\$339,601
Offering Costs	\$22,211
Organizational Expense	\$92,275
Total Fees	\$4,763,537

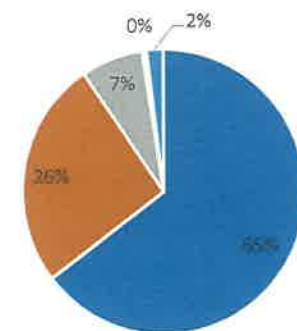
Cumulative Distributions and Contributions

(J-Curve)



Fee Allocation

■ Management Fee ■ Other Expense ■ Service Fee
■ Offering Costs ■ Organizational Expense





Raven Asset-Based Opportunity Fund III L.P. Auxiliary Reporting as of 6/30/2018

Original Commitment:	\$50,000,000
Investment Start Date:	7/6/2015
Commitment Period End Date:	9/1/2019
Total Paid In Capital:	\$34,722,742
Total Distributed Capital:	\$5,533,132
Current Capital Balance:	\$30,353,636
Management Fee:	1.75%
Carried Interest:	15.0%
Hurdle Rate:	8.0%
Target Net Returns:	15.0%
Max. Potential Fees Paid on Uncommitted Capital:	\$1,025,325
Vintage Year:	2015

Performance Measurements Since Inception

Net IRR Since Investment Start Date:	2.58%
Investment Multiple (TVPI):	\$1.03
Realization Multiple (DPI):	\$0.16
Residual Value Paid In Multiple (RVPI):	\$0.87
Paid In Capital Multiple (PIC):	0.69
StanCERA % of Total Fund:	19.50%

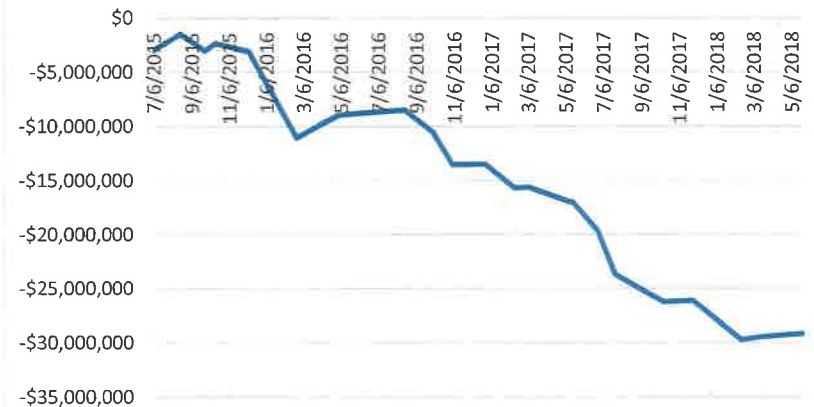
Fee Analysis Since Inception

Fee Type	Fee
Management Fee	\$2,629,794
Other Expense	\$946,732
Organizational Expense	\$5,084

Total Fees	\$3,581,610
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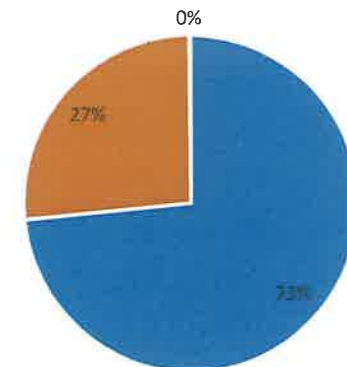
Cumulative Distributions and Contributions

(J-Curve)



Fee Allocation

Management Fee Other Expense Organizational Expense





White Oak Pinnacle Fund L.P. Auxiliary Reporting as of
6/30/2018

Original Commitment:	\$40,000,000
Investment Start Date:	8/2/2013
Commitment Period End Date:	Period Over
Total Paid In Capital:	\$55,537,388
Total Distributed Capital:	\$35,642,681
Current Capital Balance:	\$30,465,847
Management Fee:	1.50%
Carried Interest:	20.0%
Hurdle Rate:	7.5%
Target Net Returns:	12.0%
Vintage Year:	2012

Performance Measurements Since Inception

Net IRR Since Investment Start Date:	7.38%
Investment Multiple (TVPI):	\$1.19
Realization Multiple (DPI):	\$0.64
Residual Value Paid In Multiple (RVPI):	\$0.55
Paid In Capital Multiple (PIC):	1.39
StanCERA % of Total Fund:	9.58%

Fee Analysis Since Inception

Fee Type	Fee
Management Fee	\$2,566,107
Other Expense	\$480,517
Incentive Allocation	\$2,628,711
Total Fees	\$5,675,335

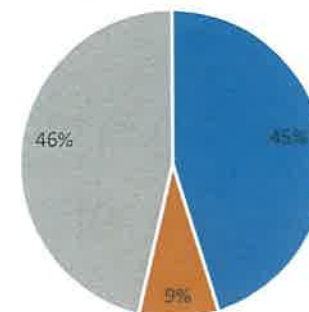
Cumulative Distributions and Contributions

(J-Curve)



Fee Allocation

■ Management Fee ■ Other Expense ■ Incentive Allocation





Cash Flow Report

July 2017 through June 2018

Beginning Cash Balance*	\$12,066,587
-------------------------	--------------

Cash Flow In

Sales of Investments	\$23,248,115
Plan Sponsor Contributions	\$76,249,672
Employee Contributions	\$26,188,610
Employee Buybacks	\$493,630
Interest Income	\$0
Rental Income	\$89,593
Commission Recapture	\$8,060
Litigation Recovery	<u>\$29,593</u>

Total Cash Flow In	\$126,307,274
--------------------	---------------

Cash Flow Out

Retirement Benefits	\$119,977,440
StanCERA Payroll	\$1,371,012
Operations Expense	\$742,189
Pension Software	\$51,004
Fixed Asset Purchases	\$1,376,448
Member Refunds	\$2,017,887
Post Retirement Death Benefits	\$14,860
Burial Allowances	\$405,000
Retiree Death - Return of Contributions	\$159,932
Investment Consultant Fees	\$315,267
Actuarial Fees	\$76,923
Custodial Fees	\$257,869
Audit Fees	\$44,666
Legal Fees	\$455,655
Other Fees	<u>\$0</u>

Total Cash Flow Out	\$127,266,151
---------------------	---------------

Ending Cash Balance	\$11,107,709
---------------------	--------------

Change in Cash Balance	-\$958,878
------------------------	------------

* Prior end balances may not always equal current beginning balance due to subsequent refinement of data



Functionally Focused Portfolio Shortfall Report

August 2017 Through June 2018

Month	Actual Cash Flows			Shortfall Over/(Under)		
	Benefits	Admin Expenses	Contributions	Actual Shortfall	Expected Shortfall	Cash Over/(Under)
Aug-17	\$9,836,101	\$1,019,603	\$6,838,954	\$4,016,750	\$3,523,124	-\$493,626
Sep-17	\$9,881,179	\$515,373	\$11,620,109	-\$1,223,557	\$0	\$1,223,557
Oct-17	\$9,909,257	\$875,428	\$7,885,126	\$2,899,559	\$2,093,735	-\$805,824
Nov-17	\$9,945,838	\$535,009	\$8,008,390	\$2,472,457	\$2,377,091	-\$95,366
Dec-17	\$9,879,939	\$652,998	\$7,971,219	\$2,561,718	\$2,078,822	-\$482,896
Jan-18	\$9,904,708	\$432,542	\$8,214,390	\$2,122,860	\$2,191,326	\$68,466
Feb-18	\$9,931,419	\$474,846	\$11,894,213	-\$1,487,948	\$0	\$1,487,948
Mar-18	\$9,927,998	\$667,775	\$8,056,990	\$2,538,783	\$2,089,751	-\$449,032
Apr-18	\$9,967,025	\$361,183	\$8,086,358	\$2,241,850	\$1,975,047	-\$266,803
May-18	\$10,439,359	\$754,445	\$8,059,123	\$3,134,681	\$2,159,802	-\$974,879
Jun-18	\$10,495,521	\$745,682	\$8,240,033	\$3,001,170	\$2,548,894	-\$452,276
Totals	\$110,118,344	\$7,034,884	\$94,874,905	\$22,278,323	\$21,037,592	-\$1,240,731
Error Percentage						-5.90%



September 25, 2018

Retirement Board Agenda Item

TO: Retirement Board

FROM: Chris Wisdom, Retirement Investment Officer

- I. SUBJECT: Final Versions of Governance Documents
- II. ITEM NUMBER: 7.b
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: Adopt the updated Governance Documents (Investment Policy Statement, Directives, and Private Markets Investment Policy Statement).
- V. EXECUTIVE SUMMARY: Staff has modified the Governance Documents per the Board's instructions. For purposes of these documents, the term "Investment Staff" has been clearly defined as the Executive Director and anyone in the Retirement Investment Officer classification. The governance documents are now more specific about which staff members are permitted to perform certain tasks. Ultimately, the Executive Director remains responsible for the successful implementation of the investment program.

The final recommended versions of the governance documents are attached with changes highlighted in yellow.

Attachment 1 – Investment Policy Statement

Attachment 2 – Directive #1 (Asset Allocation Targets and Ranges)

Attachment 3 – Directive #2 (Investment Strategy Disposition)

Attachment 4 – Directive #3 (Proxies for Illiquid Strategies)

Attachment 5 – Directive #4 (Investment Manager Due Diligence Visits)

Attachment 6 – Private Markets Investment Policy Statement

The Private Markets Investment Policy Statement now limits the ability to authorize certain smaller investments to the Executive Director alone, while several other administrative tasks will be the responsibility of Investment Staff.

- VI. RISK: None.
- VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.

VIII. ADMINISTRATIVE BUDGET IMPACT: None

A handwritten signature in black ink, appearing to read 'C. Wisdom', written above a horizontal line.

Chris Wisdom, Retirement Investment Officer

A handwritten signature in black ink, appearing to read 'Rick Santos', written above a horizontal line.

Rick Santos, Executive Director



9/25/18

Item

7.b.Attachment 1



Stanislaus County Employees' Retirement Association

Investment Policy Statement

Adopted: April 27, 1999

Restated **September 25, 2018**



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The Stanislaus County Employees' Retirement Association ("StanCERA") is a public employee retirement system that was established by the County of Stanislaus on July 1, 1948. StanCERA is administered by the StanCERA Board of Retirement ("the Board") to provide service retirement, disability, death and survivor benefits for county employees and other participating agencies under the County Employees Retirement Law of 1937, California Government Code Section 31450 *et. seq.* (CERL) and the California Public Employees' Pension Reform Act of 2013, California Government Code Section 7522 *et. seq.* (PEPRA) and other applicable laws.

1. Purpose

StanCERA has established an investment program ("Investment Program") designed to provide sufficient assets in a timely manner to pay the benefits due to participants today and in the future, over the long-term. The purpose of this Investment Policy Statement ("IPS") is to establish the policies that will guide the Investment Program. This IPS is intended to provide guidance to the Board and to its delegates, the Staff and third-party professionals. This IPS is supported by the Board's Investment Directives, the Investment Processes ("Processes"), and other Board policies that reflect the needs of the defined benefit plan ("Plan") that the Board administers. The Investment Directives, Policies and other Board documents hereto are incorporated into this IPS and made a part hereof by this reference.

2. Authority

The Investment Program shall be managed in accordance with applicable law, including but not limited to the following:

- The assets of the Plan are trust funds and shall be held for the exclusive purposes of providing benefits to the participants in the Plan and their beneficiaries and defraying reasonable expenses of administering the Plan (Cal. Const. art. XVI, sec. 17(b); Cal. Govt. Code sec. 31595).
- The Board and its officers and employees shall discharge their duties with respect to the system:
 - a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.
 - b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.
 - c) Shall diversify the investments of the system so as to seek an appropriate risk-adjusted rate of return consistent with the financial characteristics of the sponsors, unless under the circumstances it is clearly prudent not to do so.
(Cal. Const. art. XVI sec. 17(b), (c) and (d); Cal. Gov. Code Sec. 31595 (a), (b) and (c)).



3. Governance

The Board hereby adopts a governance model whereby specific authority, responsibility, and accountability are either retained by the Board or delegated to others based on areas of expertise and appropriate oversight. The Board retains sole responsibility governing the Plan, setting investment policy, and monitoring the Investment Program. It may choose to delegate specific areas of responsibility provided it retains appropriate oversight of the delegated activity.

A. Roles and Responsibilities

1. BOARD OF RETIREMENT

The Board maintains the sole and plenary authority and fiduciary responsibility for the Investment Program. The Board also understands it may delegate certain responsibilities under the Investment Program for purposes of administrative efficiency and expertise. The areas of the Investment Program the Board may not delegate include:

- The governance model of the Investment Program
- Establishing and maintaining investment policy, including:
 - Investment philosophy
 - This IPS
 - Investment objectives
 - Strategic asset allocation
 - Allocation-level performance benchmarks
 - Risk philosophy
- Engaging Board consultants and service providers
- Monitoring the Investment Program

2. STAFF

StanCERA Staff ("Staff"), is broadly responsible for supporting the Board in the effective execution of its fiduciary duties. The Executive Director, or his or her designee, has been delegated authority to execute specific elements of the Investment Program as outlined in any approved investment-related policy. ~~the Guidelines and Procedures.~~

For purposes of this document, "Investment Staff" shall be defined as the Executive Director and anyone in the Retirement Investment Officer classification.

3. GENERAL INVESTMENT CONSULTANT

The General Investment Consultant ("Consultant") is engaged by the Board to provide independent, objective investment advice. The Consultant is and shall agree to be a fiduciary to the Plan under California law. The Consultant works with Staff in the development of recommendations while recognizing its fiduciary duty is to provide prudent investment advice to the Board. The Consultant provides advice without discretionary authority to execute on its advice. The specific duties of the Consultant



are contained in the Revised Model Agreement for Investment Consulting Services, and generally include providing advice with respect to:

- Investment strategy development and implementation
- Investment policy development
- Asset allocation among classes and subclasses
- Investment manager selection, evaluation and termination
- Investment performance monitoring
- Investment risk monitoring
- Investment fee analysis and negotiation
- Capital markets projections
- Coordination with the Plan's actuary in conducting periodic asset/liability studies and other required reporting
- Board education

4. SPECIALTY INVESTMENT CONSULTANTS

Specialty consultants may be hired by the Board to work with Staff, the Consultant, and/or the Board. These will typically be asset class consultants (e.g., real estate, private equity, hedge funds) that may operate on a discretionary or non-discretionary basis, as directed by the Board, to meet the objectives of the Investment Program.

5. INVESTMENT MANAGERS

Investment Managers are delegated the responsibility of investing and managing Plan assets in accordance with this IPS and all other applicable laws and the terms of the applicable investment documents evidencing StanCERA's acquisition of an interest in an investment vehicle, and other controlling documents. Each Investment Manager must be (1) an investment advisor registered under the Investment Advisors Act of 1940; (2) a bank, as defined in that Act; (3) an insurance company qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of the Plans' assets; (4) a trust operating as an investment company under the Investment Company Act of 1940; or (5) a state-chartered trust company authorized to carry on a trust banking business. Each Investment Manager shall agree that it is a fiduciary of the Plan under California law. Subject to this IPS and their specific contractual obligations to the Plan, Investment Managers are responsible for making all investment decisions on a discretionary basis regarding assets placed under their jurisdiction and will be accountable for achieving their investment objectives. Such discretion shall include decisions to buy, hold, and sell investments in amounts and proportions that are reflective of the stated investment mandate.

6. CUSTODIAN BANK

The Custodian Bank, selected by the Board to act as the principal custodian of assets of the trust, is delegated the responsibility of holding the assets and evidence of interests owned by StanCERA in investment vehicles and cash (and equivalents).



The Custodian Bank accepts a fiduciary duty to hold such assets separate and apart from its own assets (other than cash that is held as a deposit obligation with its banking department). The Custodian Bank also accepts fiduciary duties with respect to any Plan assets for which it maintains or exercises any discretionary authority. The Board may authorize the Custodian Bank to invest in temporary short-term fixed income investments both for the investment strategies and as a part of the cash portion of Plan assets. Such investments will be managed in general accordance with short-term fixed income investment guidelines as detailed in the Custodial Agreement. Cash managed for investment strategies shall be considered to be sub-portions of the assets managed by the directing Investment Managers.

4. Investment Philosophy

The Investment Philosophy represents the foundational principles on which the Investment Program is based. Every investment decision should be made with these foundational principles in mind to promote the fulfillment of the fiduciary obligations. The statements below set forth the Board's Investment Philosophy:

Plan objectives should guide all decision making

The Investment Program is designed to provide benefits to participants over a long term without accepting undue risks that could be detrimental to the participants or Plan sponsors. The Investment Program, therefore, must be managed in a prudent manner recognizing the relationships between the benefits promised to participants and their beneficiaries, the financial health of the Plan sponsors, and the exposures within the Investment Program.

Asset allocation drives portfolio volatility and returns

It is impossible to accurately and consistently predict the future; therefore, the Plan is required to be prudently diversified across and within asset classes in anticipation of various economic conditions. In a well-diversified portfolio, the overall volatility of investment returns is principally driven by the asset allocation and secondarily driven by the individual investment strategies. As such, asset allocation is the primary tool by which the Board can manage the expected risk/return profile of the Plan.

Short-term investing

Over shorter investment periods, volatility can be more detrimental to the success of the Investment Program. Because paying benefits to participants and their beneficiaries occurs continuously, the forced selling of assets during broad market corrections to meet these payments could result in the long-term impairment of investable capital. By maintaining a portion of the portfolio invested in low-volatility, highly liquid securities and investment strategies, the Investment Program will be able to mitigate or avoid the forced selling of assets during broad market corrections.



Long-term investing

Over longer investment periods, volatility can be managed more effectively to produce beneficial results for the Investment Program. Market corrections will occur and when they do, patient and well-capitalized investors are able to wait until the market recovery takes place. Additionally, broad market corrections have historically provided investment opportunities for those with available capital and the foresight to make additional investments.

Fees

Fees directly impact the investment results of the Investment Program but are necessary to appropriately compensate the investment management of the Investment Program. Fees must, therefore, be measured closely against the value the Investment Program expects to earn and aligned to ensure incentives are consistent with the objectives of the Plan.

5. Investment Objectives

The investment objectives of the Investment Program are:

- To provide liquidity to meet retiree benefit payments in a timely manner;
- To produce long-term growth to meet future retiree benefit payments and, if applicable, to close a funding gap over time; and
- To protect the assets against the adverse impacts of rising inflation and investment market volatility.

Investment objectives specific to the individual investment strategies are further defined in the Board's Investment Strategy portion of this IPS.

6. Investment Strategy

The Board has chosen to employ an investment strategy that seeks to align the Investment Program with the investment objectives listed in Section 5 of this IPS. The strategy divides the portfolio into three functional sub-portfolios—Liquidity, Growth, and Diversifying—to address each investment objective highlighted in Section 5. The Liquidity Sub-portfolio is dedicated to funding near-term benefit payments. It is joined with the longer-term Growth Sub-portfolio as well as the Diversifying Sub-portfolio, which is intended to offset some of the investment risks embedded in the Growth Sub-portfolio. While the three sub-portfolios are aligned with the investment objectives individually, collectively they allow the Investment Program to provide appropriate risk and return characteristics.

A. Asset Allocation

The Board has adopted a strategic asset allocation based on the Plan's projected actuarial liabilities, liquidity needs, risk tolerance and the risk/return expectations for various asset classes. This asset allocation seeks to optimize long-term returns for the level of risk the Board considers appropriate. The current asset allocation table may be found in Directive #1.



Since projected liability and risk/return expectations will change over time, the Board will conduct a periodic review of the strategic asset allocation to maintain an expected optimal allocation. The Board may also revise the asset allocation in response to significantly changing conditions that have affected valuations and forward-looking expected returns of asset classes. The Board will review capital market expectations annually. The result of this review will be used to update the Investment Directives as needed.

B. Functional Sub-portfolios

As noted previously, the investment strategy for the Investment Program employs three functional sub-portfolios to construct the comprehensive asset allocation. The allocation to the Liquidity Sub-portfolio is assessed annually and is based on the projected benefit payments and expenses of the Plan. The remaining assets are invested in the Growth and Diversifying sub-portfolios. Annually the Board shall review the relative size and composition of these sub-portfolios and revise them as necessary through Investment Directives. The functional sub-portfolios are set forth below:

1. LIQUIDITY SUB-PORTFOLIO

The purpose of the Liquidity Sub-portfolio is to ensure adequate assets are available to pay benefits over an extended timeframe as outlined in the Investment Directives. The Board will establish a target allocation amount of a specific number of months of the difference between contributions and benefit payments plus expenses ("shortfall") in the Liquidity Sub-portfolio. The assets will be invested in highly liquid, low volatility securities expected to generate modest levels of return while preserving capital throughout a market cycle. This portfolio will contain assets such as cash, short-term bonds, laddered government bonds, and other investments that provide fixed, contractual cash flows with a minimum level of credit risk. As a secondary purpose, a portion of the Liquidity Sub-portfolio may be allocated to the Growth Sub-portfolio during broad market corrections so long as at least 48 months of projected shortfall is maintained in the Liquidity Sub-portfolio.

The success of the Liquidity Sub-portfolio will be measured by its ability to directly fund each year's annual benefit payments without having to draw from other sources of capital or add any unfunded liabilities to the System to meet this obligation. It will accomplish this objective through low-risk, cash flowing investments, as well as providing a stable offset to the rest of the portfolio during periods of severe market stress.

2. GROWTH SUB-PORTFOLIO

The purpose of the Growth Sub-portfolio is to grow invested assets over the long term in order to pay future benefits. Assets from the Growth Sub-portfolio may be sold over time and transferred to the Liquidity Sub-portfolio as needed. This portfolio is characterized by a long investment horizon and can, therefore, accept a higher level of volatility. Assets in this portfolio may be volatile, have reduced liquidity, and derive the bulk of their return from capital appreciation. These assets include public and



private equity, corporate and other debt with credit risk premiums, private real estate and other private assets.

The success of this portfolio will be measured primarily by compounded annual growth rates in conjunction with the annualized standard deviation of returns as the primary measure of risk. Performance evaluation will, therefore, focus on the long-term total risk-adjusted return of the portfolio.

3. DIVERSIFYING SUB-PORTFOLIO

The purpose of the Diversifying Sub-portfolio is to offset the investment risk of the Growth Sub-portfolio. Investment strategies in the Diversifying Sub-portfolio are expected to have return profiles that have a low correlation to those in the Growth Sub-portfolio. This is expected to effectively dampen the market volatility across the entire portfolio. As a secondary objective, the investment strategies in the Diversifying Sub-portfolio will offer additional sources of return to those in the Liquidity and Growth sub-portfolios. Assets in the Diversifying Sub-portfolio may be sold during times of market stress or when the assets in the Growth Sub-portfolio are impaired in order to fund the Liquidity Sub-portfolio.

The success of the Diversifying Sub-portfolio will be measured by its ability to offset declines in value in the Growth Sub-portfolio, as well as its ability to provide liquidity during times of market stress.

4. INTERACTION BETWEEN THE FUNCTIONAL SUB-PORTFOLIOS

The allocations to the Liquidity, Growth, and Diversifying sub-portfolios will vary over time. The Liquidity Sub-portfolio will operate as a drawdown vehicle to pay benefits and expenses. The Growth and Diversifying sub-portfolios will be subject to the volatility of the markets in which each functional sub-portfolio invests. In order to reallocate between the functional sub-portfolios, the Board will conduct two annual reviews: an annual capital markets review to assess the relative value and risks associated with each asset class; and an annual funding plan to determine how to replenish the Liquidity Sub-portfolio.

An annual review of the capital markets will be delivered to the Board by the Consultant. The Consultant will provide the Board current forward-looking risk and return assumptions for all major asset classes. In conjunction with this review, the Consultant will also provide a recommendation of how best to allocate assets within each functional sub-portfolio. If necessary, the Consultant will recommend changes in target allocations to the underlying asset classes in order to deploy the Investment Program's assets effectively in the upcoming year.

Additionally, and in coordination with the capital markets review, Staff will present an annual funding plan, which will provide a recommendation of how best to replenish the Liquidity Sub-portfolio program to maintain the required number of months of shortfall coverage. Staff will provide an annual report to the Board on the progress



of funding the Liquidity Sub-portfolio through a combination of harvesting income from the Growth and Diversifying sub-portfolios, asset sales in the Growth and/or Diversifying sub-portfolios or the use of contributions. Under normal market conditions, the balance in the Liquidity Sub-portfolio is expected to vary between 60 and 84 months of projected benefit payments and expenses.

C. Investment Strategy Attributes

All investment strategies, whether currently used by the Investment Program or being considered for inclusion in the Investment Program, will be evaluated on their own unique risk and return characteristics as well as their contribution to the overall Investment Program's risk and return characteristics. Other risks pertaining to the individual investment strategies and/or the firm managing the strategy will also be considered.

Fees and expenses of the investment strategies will be closely evaluated against competitive strategies and the value provided for the services rendered. While lower fees are clearly preferred over higher fees, the Plan seeks to identify investment strategies capable of providing value for participants by generating investment returns in excess of benchmark returns plus fees. Fee structures will be evaluated to ensure appropriate incentives are provided to achieve the desired outcomes for the Investment Program.

D. Rebalancing

The Board recognizes there may be a cost to maintaining strict adherence to a target asset allocation in terms of both transaction costs and opportunity costs. The Board also recognizes that the benefit of cost minimization must be balanced against the assumption of active risk associated with allowing variances to asset allocation targets.

Portfolio rebalancing shall be conducted in order to meet two distinct objectives. The first objective is to maintain the long-term strategic asset allocation targets approved by the Board. The second is to capture valuation-based opportunities by deviating from the long-term strategic asset allocation targets as deemed appropriate by the Board.

Special consideration will be given to illiquid asset classes recognizing that the funding and redemption processes are different than those of the liquid asset classes. As such, each illiquid asset class is assigned a specific liquid asset class to function as a holding asset class while the corresponding illiquid strategies are being funded.

E. Managing Investment Strategies

While the Board believes the vast majority of investment return over the long term is dependent on the asset allocation decision, it recognizes additional risk and return may be generated by how the asset allocation is implemented.

1. HIRING A NEW MANAGER

The Consultant shall conduct all investment due diligence activities in connection with hiring new managers. In all cases, the hiring process must be consistent with the requirements for vendor selection detailed in the Processes and other Plan policy documents (e.g., Procurement of Products and Services Policy, Placement Agent



Disclosure Policy, Conflict of Interest Code). The Executive Director shall have authority to execute the contracts consistent with the Processes.

Quiet period. During the process of hiring a new manager, a "quiet period" will apply during the evaluation process, during which time no Board member may knowingly have any communication with any actual or potential candidate for the mandate, unless authorized by the Board in connection with the due diligence process in selecting managers. The quiet period shall cease upon the Board's entering into a contract for the Investment Manager(s) selected for the mandate. The Consultant is responsible for alerting the candidates to the quiet period and its restrictions. A violation of the quiet period rule may result in disqualification of the candidate or other appropriate Board action.

i.

In all cases, the hiring process must be consistent with the requirements for vendor selection detailed in the Procedures and other Plan policy documents (e.g., procurement policy, placement agent policy).

2. TERMINATING EXISTING MANAGERS

The Board recognizes investments may need to be adjusted or removed from the Plan portfolio from time to time for a variety of reasons, including:

- Organizational changes including those to the people and processes in place
- Manager's style has deviated from initial investment thesis
- A manager's style, strategy, ethics, or philosophy is no longer appropriate for the Investment Program
- Underperformance relative to benchmark or other expectations
- Uncompetitive pricing vis-à-vis available alternatives

Absent emergency circumstances (described below), prior to terminating a manager, the Consultant and/or Staff shall present a detailed termination memo to the Board that includes:

- Purpose of the mandate
- Reason(s) for termination
- Specific plan to replace or temporarily invest the assets

Emergency termination. An "emergency" will be deemed to exist when an investment strategy suffers the resignation or other loss of an investment manager and no appropriate replacement is available; when an investment manager dissolves, ceases to exist, or is otherwise incapable of carrying out its activities in the ordinary course of its business; when an investment manager is actually or effectively "shut down" by a regulatory agency of a state or the Federal government or is accused of theft or fraud by a regulatory agency or other government body; when the Plan's



investment is in jeopardy of material loss; or when such other developments with the investment manager give concern to the Consultant or **Investment Staff** that the investment is no longer prudent for the Program. Action to transfer management of the affected investment strategy shall be taken as soon as possible after StanCERA learns of the emergency. In the case of an emergency, **Investment Staff** will attempt to notify the Chair and Vice Chair of the Board immediately; notify the Custodian Bank that the Investment Manager's Managed Account is to be frozen and, except for those trades which are pending, no further trading is authorized; and may call an emergency meeting of the Board to take further action.

7. Risk Philosophy

The Board recognizes that the assumption of investment risk is necessary to meet the Plan's objectives. Investment risk is viewed as both the annualized standard deviation of investment returns (volatility) and drawdown exposure. Drawdown exposure measures the expected investment loss during a market correction. Additional sources of risk include regulatory, governmental, counterparty, environmental, social and currency, among others. Investment risk, in and of itself, is neither intrinsically good nor bad; it is a condition accepted in the pursuit of investment returns. The goal in managing investment risk is to ensure that an acceptable level of risk is being taken at the total Plan portfolio level. To accomplish this goal, the Plan invests in broad asset classes, via specific investment strategies within those asset classes, which have desirable expected return, risk, and correlation characteristics. While the individual strategies have a wide range of risk and return characteristics, the correlations between the strategies allow for effective portfolio diversification.

The approach used in constructing the portfolio further focuses on the risk characteristics by ensuring the preservation of the Liquidity Sub-portfolio assets as detailed previously in this IPS. Because these assets are invested in lower risk and lower return investments, the assets are well protected. This then allows for the Growth Sub-portfolio to assume greater investment risk in pursuit of higher expected returns. The Diversifying Sub-portfolio then offsets a portion of the investment risk embedded in the Growth Sub-portfolio to protect against drawdown risks.

8. Portfolio Monitoring

Delegation of investment functions by the Board requires proper oversight. Reporting processes are, therefore, designed to provide the Board with this oversight. Accurate, timely, and clear reporting to the Board of the Plan's assets, investment returns and risks, portfolio costs, and investment decisions are essential to assisting the Board in discharging its fiduciary duties.

As part of the portfolio monitoring process, StanCERA will perform investment manager due diligence visits. The guidelines for these visits are outlined in Directive #4.

Policy Review



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

9. History of Policy Revisions

POLICY APPROVAL DATE: April 27, 1999

Revised 4/2000.

Revised 7/2000.

Revised 5/2005.

Revised 7/2006.

Revised 2/2007.

Revised 9/2007.

Revised 3/2008.

Revised 12/2008.

Revised 07/2009.

Revised 05/2010.

Revised 10/2010.

Revised 7/2011.

Revised 11/2013.

Revised 6/24/2014.

Revised 7/22/2014.

Revised 1/24/2017

Revised 9/25/2018

Reviewed and amended by the Board of Retirement

Rick Santos, Executive Director

Approval/Adoption Date: _____



Stanislaus County Employees' Retirement Association

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Investment Policy Statement – Directive # 1

9/25/18

Item 7.b.Attachment 2

StanCERA Asset Allocation Targets and Ranges

Asset Class Investment Strategy	Asset Class Benchmark	Allocation		
		Min.	Target	Max.
Liquidity Sub-Portfolio		16	21	28
Cash	30 Day T-Bills	0	1	4
Short-Term Gov't/Credit	Bloomberg Barclays US Gov't/Credit 1 - 3 year	16	20	24
Insight		8	10	12
DFA		8	10	12
Growth Sub-Portfolio		50	63	76
US Large	Russell 1000	6	10	14
BlackRock Russell 1000 Growth		3	5	7
Dodge & Cox Stock		3	5	7
US Small	Russell 2000	0	3	6
Capital Prospects		0	3	6
Private Equity	Russell 3000 + 3%	0	6	10
Various				
International Developed	MSCI ACWI ex-USA	18	27	36
LSV		9	13.5	18
Fidelity		9	13.5	18
Core Real Estate	NCREIF Property	0	5	10
Morgan Stanley Prime Property Fund		0	2.5	5
PGIM US Real Estate Debt		0	2.5	5
Value Add Real Estate	NCREIF Property + 2%	0	5	10
American Strategic Realty		0	2.5	5
Greenfield GAP VII		0	0.8	1.6
Greenfield GAP VIII		0	1.7	3.4
Infrastructure	CPI + 5%	0	1	5
Morgan Stanley North Haven		0	1	5
Private Credit	S&P/LSTA Leveraged Loan Index + 2%	0	6	10
Various				
Risk-Diversifying Sub-Portfolio		8	16	24
US Treasury	Bloomberg Barclays Treasury 7 - 10 year	0	3	6
NT Intermediate Government Bond		0	2	4
NT Long-term Government Bond		0	1	2
Risk Parity	60% MSCI ACWI / 40% BBgBarc Global Aggregate	8	13	18
AQR		4	6.5	9
PanAgora		4	6.5	9
Total Allocation			100	



II. Review

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

III. History

Adopted by the Retirement Board on May 24, 2016

Reviewed and Amended by the Board of Retirement on May 23, 2017

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".

Rick Santos, Executive Director

Approval / Adoption Date: 08/28/2018



9/25/18

Item

7.b.Attachment 3

Investment Policy Statement – Directive # 2

Investment Strategy Disposition

Background

Terminating investment strategies can be a highly subjective process incorporating quantitative data, qualitative characteristics, and the fit of the investment strategy into the investment program. Behavioral biases must also be recognized as a contributing factor of the individual and collective decision-making process of the Board. For these reasons, it is necessary to develop a coherent evaluation process that seeks to minimize behavioral biases while properly evaluating all pertinent facts in the investment strategy evaluation process.

Quarterly evaluation of all investment strategies takes place through the review of performance. At this review, each strategy is compared to its appropriate benchmark and peer universe where applicable. Also during this review, changes to the portfolio are noted along with key drivers of performance. Key drivers of performance are expected to align with the stated investment strategy being employed and differences should be noted. Changes to the investment manager of the strategy are also discussed including: organizational changes, regulatory examinations, notable decline of assets under management, and changes to investment philosophy and process.

Periodic reviews provided directly by the investment managers are another method of analyzing underperformance of an investment strategy. These discussions further reflect changes to the firm as it seeks to effectively employ the strategy.

An investment directive is needed to provide clarity for the Board, Staff, and outside professionals what is to be considered in the termination process of an investment strategy. This directive would not apply to the portfolio rebalancing due to asset allocation decisions.

Directive

This Directive adopts a generalized approach to investment strategy and investment manager evaluation along the following 6 criteria:

- People and organizational stability;
- Investment philosophy;
- Investment process;
- Pricing against the competitive and passive universe for similar strategies;
- Investment performance on both absolute and relative bases; and
- Regulatory considerations.

This list is intended to provide a framework for investment strategy evaluation, but it is not all-inclusive and other considerations may be incorporated.

When this framework is applied to an investment strategy, the Board shall appoint the General Investment Consultant or Specialty Investment Consultant and Staff, if employed,



to analyze the investment strategy as outlined and provide a written recommendation to the Board.

Included in the recommendation should be the process by which the assets would be reallocated within the Plan to ensure conformity to the desired asset allocation.

II. Review

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

III. History

Adopted by the Retirement Board on 02/28/17

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".

Rick Santos, Executive Director

Approval / Adoption Date: 08/28/2018



Investment Policy Statement – Directive # 3

9/25/18

Item 7.b.Attachment 4

Proxies for Illiquid Strategies

Background

Because real estate, infrastructure, private equity and private credit (collectively private market) strategies typically require years to draw committed capital and because they typically begin returning capital before ever being fully funded, it is necessary to identify proxy strategies so that the Plan achieves its desired asset allocation. The identified proxy strategies work in concert with the private markets strategies to fulfill capital calls, absorb distributions, and contribute the desired risk and return characteristics to the investment program.

The Executive Director and any other Investment Staff shall have discretion to select the specific investment vehicle based on available options, market conditions and the expected time horizon that the proxy is expected to be in use.

Directive

This investment strategies identified in this Directive are to serve as proxy strategies listed in the following table:

<u>Private Market Strategy</u>	<u>Public Market Proxy</u>
Private Equity	Russell 3000 Index
Private Credit	Bloomberg Barclays US High Yield 2% Cap Index
Real Estate	US REITs
Infrastructure	US REITs

II. Review

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

III. History

Adopted by the Retirement Board on 02/28/17

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



Investment Policy Statement – Directive # 3
Investment Strategy Disposition
Page 2 of 2

Adopted by the Board of Retirement

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

Rick Santos, Executive Director

Approval / Adoption Date: 8/28/18



9/25/18

Item 7.b.Attachment 5

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".

Rick Santos, Executive Director

Approval / Adoption Date: 08/28/2018



9/25/18

Item

7.b.Attachment 6



Stanislaus County Employees' Retirement Association

Private Markets Investment Policy Statement

Adopted: September 25, 2018



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1. Scope

This Private Markets Investment Policy (“PM Policy”) governs all investments in the private equity and private credit asset classes made by StanCERA. The PM Policy is subject to all provisions of applicable law and the applicable limitations and requirements of StanCERA’s Investment Policy Statement (“IPS”) and related directives and procedures. If there is any conflict between this PM Policy and StanCERA’s IPS pertaining to investments in the Private Markets asset class, the PM Policy prevails.

The StanCERA Board (“Board”) reserves the right to amend, supplement, or rescind this PM Policy at any time. This PM Policy is a living document and changes will be made from time-to-time to reflect experience, evolving investment products, and opportunities and changes in the economic and capital market environment.

2. Purpose

The purpose of this Policy is to 1) set forth the private markets policies and guidelines which are deemed to be appropriate and prudent; 2) establish criteria against which private markets opportunities are to be measured; and 3) serve as a review document to guide the ongoing oversight of StanCERA’s Private Markets Portfolio (“PM Portfolio”) on a consistent basis. The Policy also defines roles and responsibilities of the Board, the StanCERA Investment Staff (“Investment Staff”), the StanCERA PM Consultant (“Consultant”), and the Investment Managers (“Investment Managers”) hired by StanCERA to manage its assets. For purposes of this policy, “Investment Staff” shall be defined as the Executive Director and anyone in the Retirement Investment Officer classification.

3. Governance

The delineation of roles and responsibilities is important for effective administration of StanCERA’s PM Portfolio. The duties and responsibilities of the Board, Investment Staff, Consultant, and Investment Managers are as follows:

A. Board

The Board retains responsibility for approving this PM Policy and approving the annual investment plan of StanCERA’s PM Portfolio. The Board, with input from Investment Staff and Consultant, shall review this PM Policy to determine whether amendments are necessary. The Board also retains responsibility for reviewing and approving all Private Markets investments with individual commitments exceeding Investment Staff’s delegated authority as described in paragraph B.

B. Investment Staff

The Executive Director shall be responsible for oversight of StanCERA’s PM Portfolio. Investment Staff’s responsibilities shall include:

1. Developing and recommending all necessary changes to this PM Policy with input from Consultant;
 2. Developing and maintaining specific procedures, if necessary, to comply with the approved PM Policy;
-



3. The Executive Director shall be permitted to approve Consultant's Private Markets investment proposals (both new proposals and "re-ups" with existing managers) with each individual commitment up to 10% of the target allocation of the total PM Portfolio or \$25 million (whichever is lesser) to managers in good standing upon completion of a thorough review and due diligence process with satisfactory results. Investment Staff and Consultant shall provide the Board with reports as described in Appendix I and Appendix II.
4. Monitoring the PM Portfolio for performance and compliance with this PM Policy;
5. Monitoring the performance of the underlying Investment Managers and their compliance with a) the investment guidelines as set forth in their respective contracts; b) this Policy; and c) applicable requirements of StanCERA's IPS, Directives, and Procedures;
6. Conducting annual reviews of StanCERA's PM Portfolio;
7. Reporting to the Board any violations of the PM Policy with appropriate recommendations;
8. Assisting StanCERA's counsel in contract negotiations with the selected Investment Managers;
9. Evaluating Private Market investment opportunities with Consultant's input on an on-going basis; and
10. Evaluating and making recommendations for retention and termination of Investment Managers.

C. Consultant

The Consultant is hired by the Board as a fiduciary to StanCERA. Consultant shall independently and continuously monitor and analyze the performance of StanCERA's PM Portfolio and make related recommendations to serve the best interests of the Plan. Consultant shall assist Investment Staff in developing this PM Policy and recommending all necessary changes to it. Consultant shall also be responsible for the following:

1. Analyzing the asset allocation of the PM Portfolio by type, implementation vehicle, geography, industry, and vintage year, and making recommendations for reallocation of assets, as appropriate;
 2. Developing an investment plan for StanCERA's PM Portfolio every 1 to 3 years;
 3. Developing a search strategy for highly qualified Private Markets investments and maintaining a robust database containing information on Investment Managers;
 4. Recommending highly qualified Private Markets fund investments to Investment Staff and/or the Board upon completion of a thorough due diligence process and providing the required reports listed in the Appendix I of this PM Policy to Investment Staff;
 5. Ongoing monitoring of the investment performance of StanCERA's PM Portfolio and individual investments in the Portfolio;
 6. Conducting ongoing due diligence of Investment Managers, notifying StanCERA of any significant developments and adverse events and providing analysis and advice on such issues;
 7. Ongoing monitoring of Investment Managers' compliance with a) their respective investment guidelines as set forth in their contract; b) this PM Policy; and c) applicable requirements of StanCERA's IPS, Directives, and Procedures;
-



8. Assisting **Investment Staff** in contract negotiations with the selected Investment Managers;
9. Making recommendations for retention or termination of Investment Managers;
10. Attending meetings as needed; and
11. Performing other duties in accordance with the terms of its contract and applicable State and Federal law.

D. Investment Managers

Investment Managers are fiduciaries and shall prudently manage StanCERA's assets in the best interest of StanCERA and its members. Investment Managers shall abide by all applicable policies and procedures established by StanCERA, and fully comply with applicable law. Investment Managers shall be responsible for compliance with a) the specific investment guidelines as set forth in their respective contracts; b) this PM Policy; and c) applicable requirements of StanCERA's IPS, Directives, and Procedures. Investment Managers shall be responsible for all aspects of portfolio management as set forth in their respective contracts with StanCERA. They shall also:

1. Communicate with **Investment Staff** and/or Consultant promptly regarding investment strategy, investment results, and any non-conforming issues that may have significant and/or negative impact on the portfolio;
2. Cooperate fully with **Investment Staff**, Consultant, StanCERA's custodian, and other StanCERA vendors concerning requests for information;
3. Submit reports to **Investment Staff** and Consultant in accordance with their contract terms; and
4. Attend meetings as needed, either in-person or via conference call.

4. Objectives of investing in Private Markets

The Board believes the Fund's overall returns can be enhanced, on a risk-adjusted basis, by investing a portion of its assets in private equity and private credit. The strategic objective of such investments is to generate returns superior to those available in the public equity and credit markets to compensate for the long-term and illiquidity associated with private investing.

The Board recognizes that performance of investments in private equity and private credit may be difficult to measure during the first several years and possibly longer. However, this PM Policy establishes ongoing monitoring and reporting duties for each investment and for the PM Portfolio as a whole. These duties are designed to address these challenges and are described in detail later in this PM Policy.

Portfolio construction will be designed to produce a diversified mix of returns, subject to the guidelines and constraints outlined under each sub-category. Diversifiable risks associated with this Portfolio include position in the capital structure, the timing and amounts of cash flows, the size of the individual investments, and their sensitivities to business cycles. The risks associated with Private Markets will be viewed within the context of the entire Fund.



5. Strategic Allocation to Private Markets

The long-term target allocation to the Private Equity and Private Credit asset classes is measured by market value of the investments (not by dollars committed to the investment strategies). As portfolio construction shall be driven by careful manager selection, and due to the illiquid nature of investments, the allocation to Private Markets can range from 0% to 16%, with exposure to sub-asset classes as follows:

	Allocations as a percent of total plan assets		
	Min	Target	Max
Private Equity	0%	6%	8.0%
<i>Benchmark: Russell 3000 + 3%</i>			
Buyouts	0%	4%	5.0%
Venture Capital	0%	2%	3.0%
Private Credit	0%	6%	8.0%
<i>Benchmark: S&P / LSTA Leveraged Loan Index + 2%</i>			
Direct lending	0%	4%	5.0%
Special situations	0%	2%	3.0%

While the target allocations outlined above will be used to ensure consistency with the investment program's strategic asset allocation, the range between the minimums and maximums may be used to improve the risk and return positioning based on an assessment of the relative attractiveness of all available opportunities.

As commitments and investments are expected to be made over time, the Private Markets Portfolio is expected to reach and maintain its long-term target allocation within 4-6 years (subject to availability of quality managers and general market conditions) from the most recent date of change in allocation targets.

Over commitment. Because timing of both contributions and distributions is at the discretion of each private fund manager, commitments do not equal money at work. In order to reach target allocations, it is, therefore, necessary to commit more than the stated target of 12% to reach the Plan's target exposure within the four- to six-year timeframe. Pacing studies are effective tools to manage the level of over commitment. At times, particularly during corrections in public equity markets, it is possible that the Plan's level of over commitment may result in the allocation to private markets exceeding the maximum of 16%. If such a situation were to arise, the pacing study would, if possible, reflect lower future allocations until the Plan's exposure returns to appropriate levels.

6. Guidelines

StanCERA will gain exposure to private markets investments by hiring external investment managers either directly or through participation in secondary markets. Typically, the Plan will subscribe as a limited partner to limited partnership vehicles sponsored by specialty external investment managers.



The Private Markets Portfolio is to be diversified over 4 to 6 years from the most recent date of change in allocation targets as follows:

A. Sub-asset class

The private markets sub-asset classes include private equity buyout strategies, venture capital, and debt-related / special situations strategies. The target allocations and ranges are outlined in the Strategic Allocation to Private Markets section.

B. Vintage year

It is expected that roughly equal amounts of new funding will be committed in each calendar year, with deviations permitted to accommodate market opportunities and to facilitate initial entry into the asset class.

C. Investment manager

No more than 20% of the target allocation to the private markets may be committed to any one investment manager.

D. Geography

While the investments made by each investment strategy will be governed by the investment guidelines corresponding to each strategy, the overall private markets exposure is expected to have the majority of its investments domiciled in the United States.

E. Sector

As noted in the Strategic Allocation to Private Markets section above, it is expected that the Private Markets exposure will be diversified by sector as follows:

1. BUYOUTS

Buyout investments typically involve the purchase of a control position (primarily majority positions, with some minority positions) in an established, privately held company. Investments are typically made in years one through three and returns typically occur in years three through six of the limited partnership.

No more than 35% of the target value of capital invested of the buyout portfolio may be invested in a single sector of the domestic or international economy.

2. VENTURE CAPITAL

Venture Capital investments are typically made in privately-held companies at varying stages of development. Investments are often made in years one through five and returns typically occur in years four through ten of the limited partnership. Depending on stage or risk profile of investments, a large portion of investments may result in losses, while a few provide substantially outsized returns. Other types of Private Equity Investments with similar risk/return profiles may be considered for the Fund under this category.

No more than 50% of the target value of capital invested in the venture capital portfolio may be invested in a single industry within a particular sector.



3. PRIVATE CREDIT

Private Credit investments are highly negotiated, private debt investments in middle market companies through a variety of transactions including growth financings, recapitalizations, and acquisition-related financings. Investments are typically made in years one through three of the partnership with a high level of current income. Special Situations investments can encompass any variety of private investments in debt or equity, typically to generate returns from the turnaround or dissolution of stressed and distressed assets, including opportunistic real estate investments.

The portfolio commitment will not represent greater than 20% of a single fund.

7. Due diligence process for Private Markets Investment Selection

StanCERA recognizes that a proper due diligence process is essential to control the risks associated with Private Markets investments and, therefore, establishes the following due diligence processes for both its Consultant and **Investment Staff**:

A. Consultant

Consultant shall conduct extensive, documented due diligence before making any Private Markets investment recommendations to **Investment Staff** and the Board. Consultant shall involve **Investment Staff** in the due diligence process, as necessary. Duties of the Consultant include:

- Assess the reputation of the individuals who manage the investments, consider background checks, internet searches, and in-person meetings or conference calls with these individuals, etc.;
- Conduct on-site visits to the offices of the Investment Managers;
- Check references from other investors that have invested in these investments, and, when advisable, from competitors;
- Determine that the investment funds are audited, at least annually, by a reputable and recognized external independent auditing firm;
- Review Investment Managers investment strategies, policies, operating procedures, and historical performance;
- Review and understand the valuation procedures employed by the Investment Managers;
- Review business terms of all legal agreements and other related documents for the investments under consideration, such as offering memorandum, legal agreements, and Forms ADV, as available;
- Review the investments for potential exposure to Unrelated Business Taxable Income (UBTI); and
- Assess what exit strategies exist to liquidate existing investments owing to poor performance and, if necessary, to avoid future investments in similar funds

B. Investment Staff

Investment Staff shall ensure that Consultant has conducted extensive, documented due diligence on all Private Equity investment proposals recommended to **Investment Staff**



and the Board. **Investment Staff** shall participate in Consultant's due diligence process when appropriate and shall also be responsible for:

- Reviewing the comprehensive analysis report prepared by Consultant on its recommended investments;
- Verifying the compliance of each recommended investment with this PM Policy, the annual investment plan for StanCERA's portfolio and other applicable investment policies;
- Discussing all issues related to the recommended investments with Consultant and if necessary, with Investment Managers;
- Arranging presentations of select investment opportunities to the Board as described under Section 3.B.3;
- Conducting an on-site due diligence visit to each manager's headquarters office when necessary and practicable; and
- Completing Appendix II of this document for each proposal.

8. Portfolio Monitoring

In addition to the portfolio monitoring responsibilities outlined in the IPS, the Consultant and **Investment Staff** will closely monitor and analyze the PM Portfolio so that the strategic objective of the Portfolio can be met.

Investment Managers shall submit all reports to **Investment Staff**, Consultant, StanCERA's custodian, and other StanCERA vendors in accordance with their respective contracts.

9. History of Policy Revisions

POLICY APPROVAL DATE: September 25, 2018

Policy Review

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

Reviewed and amended by the Board of Retirement

Rick Santos, Executive Director

Approval/Adoption Date: _____



Appendix I

List of Reports Required for Each Investment Recommendation/Approval

Report	Source
Recommendation/Approval memo	Investment Staff
Recommendation/Approval memo	Consultant
Executive Summary of the Fund	Consultant
Compliance Checklist	Investment Staff
Comprehensive Due Diligence Report (available to Trustees upon request due to confidentiality)	Consultant
Manager Pitchbook	Investment Manager

Investment Staff will provide an abbreviated Executive Summary Report that is available for review upon request by the Trustees.



Appendix II

Executive Summary Report [Template]

[Fund Name]

Section I: General Information
Fund Name; Total AUM of the Firm; Current Target Fund Size; Previous Fund Size; Fund Focus; etc.

Section II: Investment Management
Organization Structure; Management Group; Experience; Personnel Turnover; etc.

Section III: Investment Strategy
Investment Philosophy; Investment Strategy; Investment Process; Investment Objective; etc.

Section IV: Risk Management
Risk Control Methodology; Exit Strategy; etc.

Section V: Investment Rationale

Section VI: Investment Concerns

Section VII: Performance (example)

Benchmark:

Performance History

	YTD	1-yr	3-yr	5-yr	Since Inception
Fund					
Benchmark					
Out/(under)performance					

Section VIII: Key Terms

Fund Term; Preferred Return; Investment Period; Management Fee; Other Fees; General Partner Carry; GP Commitment; Advisory Board; Clawback; No-Fault Divorce; Key-Person Events; Closing Schedule; Drawdown Schedule; etc.

List of items to be addressed as appropriate.



PAS IMPLEMENTATION LINEA BI-WEEKLY STATUS UPDATE

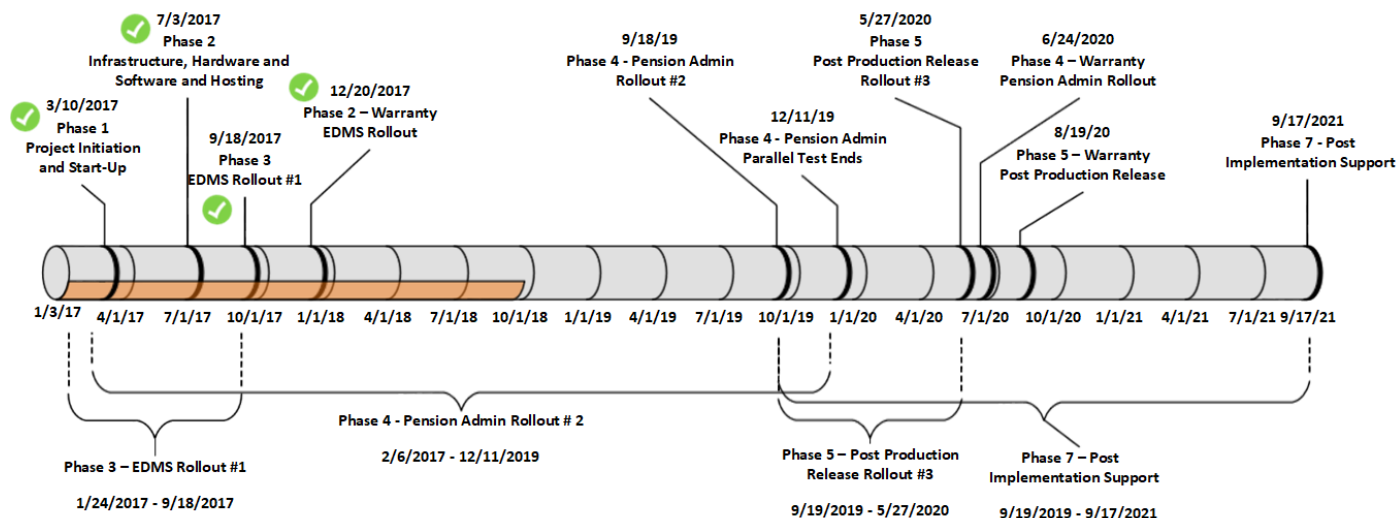


SPONSOR:

Rick Santos

REPORT DATE:

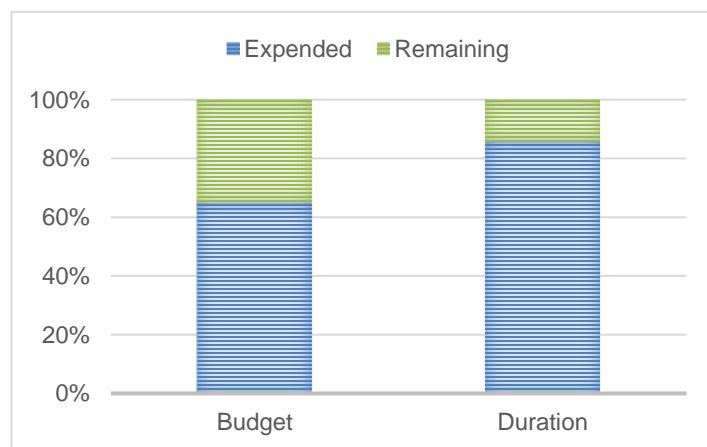
09-21-2018



Baseline 12/01/2016

STATUS

Risks & Issues:



Linea Budget as of 08/31/18

No new high-level risks have been identified at this time.

Accomplishments:

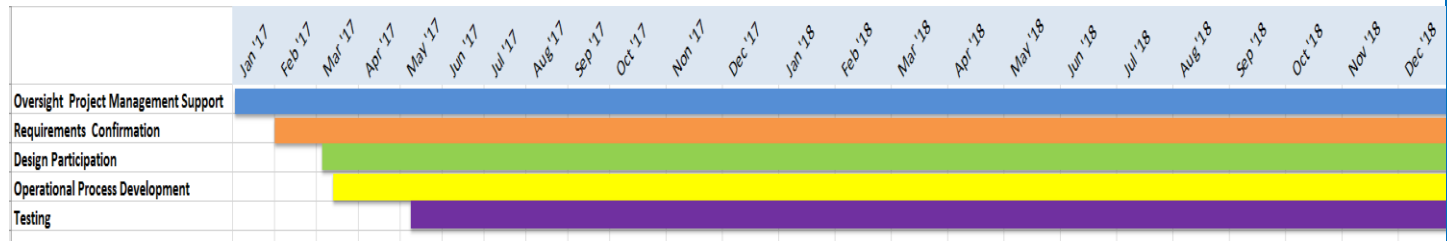
Upcoming:

- Achieved completion and deliverable sign-off for BSR029 and BSR033.
- Held additional meetings to determine a workable reporting strategy for City of Ceres, resulting in upcoming employer on-site visits.
- First test files for new employer reporting format were received from County and Tegrit began analysis.
- Calculator UAT kicked-off on 09/10/18 with testing in the first of four planned functionality releases.

- Continue to analyze and test new employer reporting data files from County and Courts in Arrivos.
- Conduct on-site visits to file upload employers to discuss reporting responsibilities and process.
- Document and implement special document type permissions in Imaging production environment.
- Continue to lead calculator UAT testing and retesting of resolved PIRs, including tracking and reporting results throughout the UAT periods.

Ongoing Project Contributions

- Facilitate weekly Project Manager's meetings and create meeting minutes.
- Facilitate monthly Steering Committee Meetings and create meeting minutes.
- Participate in Tegrit work sessions, review meeting minutes, and compile resulting decision logs and action items (Calculators).
- Regularly review action items for follow up and completion.
- Review and hold group review sessions for BSRD deliverables made by Tegrit (BSR024, others).
- Track requirements, as discussed in work sessions and BSRDs, using the RTM and meet with StanCERA PM to update requirements confirmation.
- Manage and participate in system testing efforts, including review of test scripts, compiling of results, input of PIRs, and tracking of issue resolution.





9/25/18

Item 8.c.

SACRS VOTING PROXY FORM

The following are authorized by the _____ County Retirement Board to vote on behalf of the County Retirement System at the upcoming SACRS Conference

(if you have more than one alternate, please attach the list of alternates in priority order):

_____ Voting Delegate

_____ Alternate Voting Delegate

These delegates were approved by the Retirement Board on ____ / ____ / ____.

The person authorized to fill out this form on behalf of the Retirement Board:

Signature: _____

Print Name: _____

Position: _____

Date: _____

Please send your system's voting proxy by October 1, 2018 to Sulema H. Peterson, SACRS Administrator at Sulema@sacrs.org.