

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

## **INVESTMENT POLICY STATEMENT**

### **DIRECTIVE 2 - INVESTMENT STRATEGY DISPOSITION**

September 25, 2018





## 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".

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Rick Santos, Executive Director

Approval / Adoption Date: 9/25/2018