SamCERA's
Investment Policy Statement

Latest Revision July 2026

1.0 ESTABLISHMENT OF INVESTMENT POLICY

The Board of Retirement (the "Board"), having exclusive authority and exclusive fiduciary responsibility for the investment and administration of the Trust Fund (the "Fund"), hereby establishes the following Investment Policy (the "Policy") for the investment of the San Mateo County Employees' Retirement Association ("SamCERA") assets. The Board reserves the right to amend, supplement or rescind this Policy at any time.

The purpose of this Policy is to assist SamCERA in effectively supervising its investments in order to meet the requirements of the California Constitution, the County Employees Retirement Law of 1937 ("the 1937 Act"), the Mission and Goals of SamCERA and other requirements, and to encourage effective communication between SamCERA and its investment managers (the "Manager(s)") and investment consultants (the "Consultant(s)").

A. GOVERNING DOCUMENTS FOR THE INVESTMENTS OF THE FUND.

The powers and duties of the Board are set forth in the 1937 Act and in Article XVI of the State Constitution. They are further defined by the Mission and Goals adopted by the Board.

SamCERA was created by San Mateo County Ordinance No. 564 adopted by the Board of Supervisors, effective July 1, 1944. This ordinance established the retirement system in accordance with the provisions of California's County Employees' Retirement Law of 1937.

Constitution of the State of California

Article XVI, Section 17, relates to the administration of the system and investment of the Fund assets. It reads in pertinent part:

> "(a)…The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.
>
> "(b) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system 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. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.
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> "(c) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system 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.
>
> "(d) The members of the retirement board of a public pension or retirement system shall diversify the investments of the system so as to minimize the risk of loss and to

maximize the rate of return, unless under the circumstances it is clearly not prudent to do so."

The 1937 Act

The 1937 Act contains language similar to that in the State Constitution regarding the investments of the Fund:

> Government Code section 31595.
>
> "The board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board.
>
> 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 minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

SamCERA's Mission and Goals

The Board has adopted a Mission and Goals statement. The Mission summarizes SamCERA's reason to exist.

> "Mission: SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system."

The Mission is further defined by three goals. One goal speaks to the management of the assets of the Fund. This asset management goal reads:

> "Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers."

In recognition of the requirements of the California Constitution, the 1937 Act, the SamCERA Mission and Goals and other legal requirements, the SamCERA Board has established this Investment Policy.

2.0 MANAGEMENT OF THE FUND

A. ROLES AND PRINCIPAL DUTIES

The Fund investments shall be prudently planned, implemented, managed, and monitored by the Board. Investment Staff (the "Staff"), Investment Consultant (the "Consultant"), Custodian Bank (the "Custodian"), and Investment Managers (the "Managers") shall support the Board in this activity. The roles are set forth below:

1. The Board establishes and maintains the investment policy, including: investment philosophy, investment objectives, strategic asset allocation, allocation-level performance benchmarks, and risk philosophy. The Board makes most investment and monitoring decisions based upon the recommendations of Staff, Consultants, and other service providers engaged by the Board. The Board reviews and monitors all investments, as well as the policies, guidelines and procedures required to prudently administer the Fund and to effectively mitigate risk to the Fund. From time to time, the Board will utilize its Investment Committee to assist the Board in these activities and related specified tasks.

2. Staff oversees the Fund's investment program activities, implements the Board's decisions, manages the existing fund investments, makes recommendations to the Board regarding Fund management, including investment-related policies and procedures, and has certain discretion to act and then report to the Board. Staff also makes recommendations regarding the selection of the Consultant, Managers, Custodian as set forth below and monitors the performance and compliance of these and other investment-related service providers.

3. The Consultant reviews, analyzes and evaluates the Fund's effectiveness and efficiency and makes fund management related recommendations. Consultant assists Staff in implementing the Board's decisions and developing all investment-related policies. Consultant's responsibilities are detailed in the service agreement between SamCERA and Consultant.

4. The Custodian provides custody of SamCERA's investment assets. In addition, the Custodian manages the securities lending program. The Custodian's responsibilities are detailed in the service agreement between SamCERA and Custodian.

5. The Managers manage their mandated allocations in accordance with all applicable laws, Board-established policies, guidelines and procedures, as well as specific investment guidelines. For separately managed accounts, managers' responsibilities are detailed in the Investment Management Agreements (IMA) between SamCERA and each Manager. For commingled funds, managers' responsibilities are detailed in the related Fund documents.

B. INVESTMENT PORTFOLIO MANAGEMENT

The Board, with the assistance of Staff and Consultant, select and monitor Managers to manage the assets of the Fund.

1. Hiring New Managers

For public markets manager searches (i.e. non private equity and private real assets), Staff will inform the Board about the search process, including scope of the mandate, and the investment style, benchmark, and the minimum qualifications for candidates. Staff will update the Board on the short list of potential managers. Consultant and Staff will perform due diligence activities deemed applicable by the Chief Investment Officer, which may include analysis of performance records, meetings, due diligence questionnaires, interviews, and on-site visits. Upon completion of such due diligence, Staff and Consultant will bring a finalist to the Board for approval. The recommendation shall provide the Board with a summary description of the conducted due diligence activities.

For private markets, the Consultant, with Staff input, sources managers that can best fit the desired mandate consistent with the annual pacing study and applicable investment policy. Consultant and Staff will bring potential private markets opportunities to the Board for approval. An exception to this policy is when a decision for a private market investment must be made prior to the date of the next regularly scheduled Board meeting. In these instances, and for investments of $35 million or less, the Chief Executive Officer is authorized to make an investment-related decision after consulting with the Board Chair, or if the Chair is not available, the Vice Chair, one member of the Investment Committee, the Board's Investment Consultant, staff and legal counsel as long as such decision is in the best interest of the fund and consistent with applicable Board policy. Any action under this authorization will be reported to the Board at a subsequent regularly scheduled meeting.

2. Managing and Monitoring Existing Managers

The Board monitors the individual investment managers on a continuous basis through information provided by Staff, the Consultant, the Managers, and other investment service providers. Monthly, the Chief Investment Officer will present a preliminary performance report to the Board that is meant to provide a high-level summary of how the fund and each monthly-valued manager is performing. In addition, for SamCERA's separate accounts, Staff receives holdings and attribution reports from each separate account Manager on a monthly basis. For commingled funds, staff receives from the Manager either monthly or quarterly portfolio performance, attribution, exposure, and commentary reports.

Quarterly, the Consultant, with assistance from the Chief Investment Officer, will present an investment performance report to the Board, as specified in Section 13.0 (Quarterly Investment

Performance Reporting) in the Investment Policy. This report provides a more detailed performance attribution for the total plan and individual Managers, and helps to identify any short-term outlier deviations from expectations.

Semi-annually (month-end June and December of each year), every public markets (i.e. not private equity or private real asset) Manager completes a compliance statement identifying any significant firm, regulatory, and portfolio issues. In addition, semi-annually as of June and December of each year, Consultant will present performance reports for both the Private Equity and Private Real Assets programs that summarize each program and shows total program performance and program diversification by strategy, geography, industry, and vintage year.

Annually, Staff and Consultant will convene an investment strategy session, as specified in Section 14.0 (Annual Investment Strategy) in the Investment Policy, to allow a longer-term assessment of the Managers and the total fund performance. Lastly, all public markets Managers are interviewed annually by Staff and Consultant, and must complete a due diligence questionnaire.

During these presentations, Managers will provide an update on the Manager's organization and business plan, any changes to the investment process, and a summary of investment performance. Staff and Consultant report to the Board following these meetings.

After the Board approves an initial investment to be held in a separate account or open-end evergreen commingled fund, staff will be responsible for managing that allocation, including initiating any adjustments to that allocation amount, consistent with the allocation ranges outlined in Section 6.0. For those investments held in closed-end (or non-perpetual life) commingled funds (e.g. private equity, private real assets, private credit, non-core real estate), staff will seek Board approval for any additional allocation to those funds, including re-up commitments, unless the timing of the decision is subject to the policy exception set forth in paragraph 1. For continuation funds involving both end of fund life and single asset decisions , staff will have delegated authority to take the liquidity option if the current holding value under consideration is $15 million or below.

3. Terminating Existing Managers

The Board recognizes investments may need to be adjusted or removed from the Fund from time to time for a variety of reasons, including organization changes at the Manager, changes in Manager style, underperformance relative to expectations, and the Manager's strategy is no longer appropriate for the fund. The Board determines if a Manager should be terminated after receiving input and or recommendations from Staff and Consultant.

In situations in which developments give immediate concern that an investment with a Manager is no longer prudent for the investment program and a termination or other related investment decision should be made prior to the next regularly scheduled Board meeting, the Chief Executive

Officer is authorized to terminate the Manager and or move Fund assets after consulting with the Board Chair (or Vice Chair or Secretary based on availability, in that order) and one member of the Investment Committee. Situations causing an immediate concern, include, but are not limited to, when: (1) the firm suffers the resignation or other loss of its key portfolio managers on the strategy, (2) the firm dissolves, ceases to exist, or is otherwise incapable of carrying out its activities in the ordinary course of its business, (3) the firm is actually or effectively shut down by a regulatory agency or is accused of theft or fraud or other serious malfeasance by a regulatory agency, or (4) the fund's investment is in jeopardy of material loss. The Board will be promptly notified of the determination by the Chief Executive Officer.

3.0 INVESTMENT OBJECTIVES

The Board shall develop an investment program, consistent with the Investment Beliefs and General Investment Policies as stipulated in Sections 4.0 and 5.0, respectively, to meet its objectives.

The primary goal of the investment program is to ensure adequate liquidity is available to provide for the required monthly benefit payments in a timely manner.

In addition, the following secondary objectives will be considered:

A. Generate risk-adjusted returns that exceed the Asset Allocation Policy Benchmark (as defined in Section 6.0) on a net-of-fee basis over five-year rolling periods.

B. Achieve long-term real growth while minimizing the funded status volatility.

C. Over a full market cycle, provide lower portfolio drawdowns than a simple implementation of our Asset Allocation Policy Benchmark (consisting of four primary asset classes: 1) Global Equities, 2) Core Bonds, 3) Short-Term Bonds, and 4) Core Real Estate).

4.0 INVESTMENT BELIEFS

The following section summarizes the Board's investment beliefs that have guided it in the development of this Policy document and will guide it in the oversight of the Plan assets.

A. Strategic asset allocation is the primary driver of portfolio risk and return.
B. SamCERA should have a long-term horizon and not be tempted to deviate from its long-term plan in response to short-term volatility.
C. Everything else being equal, simplicity is preferred over complexity.
D. For those asset classes evidencing market efficiencies, the manager structure may favor the employment of passive strategies.

E. Focus on income and capital appreciation should be balanced and not overly dependent on one or the other.
F. There is no single definition of risk. There are various measures of 'risk' that can be used for various purposes.
G. Diversification is fundamental, and the portfolio should be diversified across many risk dimensions/timeframes.
H. SamCERA should not pursue investments that will not adequately compensate it for the risks that those investments bring.
I. Costs matter.
J. Incorporating sustainability criteria into the decision-making process can positively impact long-term risk and reward characteristics of an investment.

5.0 GENERAL INVESTMENT POLICIES

Consistent with the investment beliefs contained in Section 4.0, it is the investment policy of the Board to:

A. Achieve long-term risk-adjusted returns consistent with its fiduciary duty.

B. Pursue an investment strategy that reduces the volatility of returns through prudent diversification of the portfolio across a broad selection of distinct asset classes, as provided for in Section 6.0 of this Investment Policy.

C. Further diversify other risks, including extreme events, liquidity, and leverage by looking beyond traditional asset class definitions by utilizing multiple lenses on portfolio risks.

D. Adopt an asset allocation target to guide the structure of the investment portfolio, as provided for in Section 6.0, and reevaluate on an annual basis.

E. Reevaluate the asset-liability study every three to five years.

F. Determine whether to replenish the cash flow match account on an annual basis.

G. Delegate to staff the management of existing investment managers, and for those strategies in separately managed accounts and evergreen (or open-end) commingled fund structures, the on-going adjustments to allocations to such managers consistent with the investment policies and investment ranges contained in Sections 6.0 and 7.0.

H. Delegate full discretion, including whether to include environmental, social, and governance factors, if such factors have a direct relationship to the economic and financial value of an investment, when analyzing the financial merits of competing investment choices on behalf of SamCERA, to each investment manager to the extent authorized in their Investment Management Agreement (IMA).

I. Adopt objectives that encourage investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark.

J. Refrain from drastically shifting asset class allocations over short time spans, unless it is in the Fund's best interest to do so.

6.0 ASSET ALLOCATION & PORTFOLIO STRUCTURE

A. Asset Allocation by Performance Driver

SamCERA groups its investments by the underlying performance drivers within each asset class composite. As part of this process, SamCERA classifies its portfolio into four main drivers of performance listed below.

Growth

The Growth category includes assets in which their primary driver of returns is tied to the general strength of economic output. These assets will generally do well when economic conditions are favorable, but generally struggle in times of economic weakness and recession. Assets classified in the Growth category include Public Equity (consisting of U.S. and International Equity), Private Equity, and Opportunistic Credit (consisting of Public Credit and Private Credit).

Diversifying

Diversifying assets provide protection from equity risk and may be characterized as being more defensive (i.e. may help provide stability when markets fall) or more absolute-return oriented (i.e. performance is not as dependent on the overall strength of equity markets). Assets classified in the Diversifying category include Defensive Fixed Income and Absolute Return.

Inflation Hedge

Inflation Hedge assets provide additional diversification from equity risk and provide a potential hedge against unexpected inflation. Assets classified in this category include Real Estate, Public Real Assets, and Private Real Assets.

Liquidity

The Liquidity category consists of liquid assets with the primary purposes to pre-fund net benefit payments, satisfy expense obligations in the near-term (e.g. capital calls and management fees), support the overlay and currency hedge overlay accounts, and also meet any unforeseen cash needs. Assets classified in this category include two

subcategories: 1) Cash Flow-Matched Liquidity and 2) Cash & Cash Overlay. The Cash Flow-Matched Liquidity category includes our Cash Flow-Matched Liquidity account and our County Treasury Pool, which are both used for the primary purpose of pre-funding and paying out benefit payments. SamCERA typically pre-funds up to 36 months of net benefit payments, depending on market conditions, plan performance and other factors.

The Cash & Cash Overlay category includes our general cash account (used to satisfy capital calls, pay management fees, meet unforeseen cash needs, etc.) and our cash overlay and currency hedge overlay account.

Updated Asset Allocation Policy^

Performance Driver View	Target Allocation	Rebalancing Range
Growth	**59%**	**±5%**
Public Equity	41%	**±5%**
Private Equity *	7%	**±2%**
Opportunistic Credit	11%	**±2%**
Public Credit	8%	**±2%**
Private Credit	3%	**±2%**
Diversifying	**18.5%**	**±4%**
Defensive Fixed Income	12.5%	**±3%**
Absolute Return	6%	**±2%**
Inflation Hedge	**17%**	**±4%**
Real Estate	9%	**±2%**
Private Real Assets *	5%	**±2%**
Public Real Assets	3%	**±2%**
Liquidity	**5.5%**	**NA**
Cash Flow-Matched Liquidity **	4.5%	**NA**
Cash & Cash Overlay	1%	**±3%**

^The updated asset allocation policy was approved in the February 2023 board meeting. The long-term strategic asset allocation policy will include a 1% increase to Private Equity (long-term target of 8%, funded from public equity), which will take multiple quarters to reach the target.

* Recognizing the illiquidity of the asset class, rebalancing will be considered over six- to twelve-month periods.

** The Cash Flow-Matched Liquidity sub-category doesn't have rebalancing bands as the target will naturally fluctuate over time as payments are made and cash is replenished in the accounts.

B. Growth Asset Allocation

Growth assets shall be allocated to managers within the following asset/sub-asset classes:

GROWTH ASSET CLASSES	TARGET ALLOCATION		REBALANCE RANGE
Public Equity	41%		±5%
Large Capitalization Domestic	23.0%		±4%
Passive Core		19.0%	±4%
Active Core		4.0%	±2%
Small Capitalization Domestic	2.0%		±2%
Active Core		2.0%	±2%
International	16.0%		±3%
Passive Core		8.0%	±3%
Growth		4.0%	±2%
Value		4.0%	±2%
Private Equity	7%		±2%
Opportunistic Credit	11%		±2%
Total Growth Assets	59%		±5%

C. Diversifying Asset Allocation

Diversifying assets shall be allocated to managers within the following asset/sub-asset classes:

DIVERSIFYING ASSET CLASSES	TARGET ALLOCATION		REBALANCE RANGE
Defensive Fixed Income	12.5%		±3%
Core		5.5%	±2%
Core Securitized		4.0%	±2%
Long Treasury		3.0%	±2%

Absolute Return	6%	±2%
TOTAL DIVERSIFYING ASSETS	18.5%	±4%

D. Inflation Hedge Asset Allocation

Inflation Hedge assets shall be allocated as follows:

INFLATION HEDGE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Real Estate	9.0%	±2%
Private Real Assets	5.0%	±2%
Public Real Assets	3.0%	±2%
TOTAL INFLATION HEDGE ASSETS	17.0%	±4%

E. Liquidity Asset Allocation

Liquidity assets shall be allocated as follows:

LIQUIDITY ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Cash Flow-Matched Liquidity	4.5%	NA
Cash & Cash Overlay	1%	±3%
TOTAL LIQUIDITY	5.5%	NA

F. Asset Allocation Policy Benchmark

The Asset Allocation Policy Benchmark defined below is derived by assigning a passive benchmark to each of the sub-asset classes referenced in Sections 6.0 (A) through 6.0 (E) and weighting each by the Target Allocation. The performance of the Asset Allocation Policy Benchmark is computed by the Plan's investment consultant.

Benchmark	Asset Allocation Policy Benchmark
Growth Assets	**59%**
Russell 3000 Index	25%

MSCI ACWI x US IMI Index Hedged^	16%
Russell 3000 +3% (One Quarter Lagged)	7%
Custom Opportunistic Credit Index*	11%
Diversifying Assets	**18.5%**
BC Aggregate Index	9.5%
BC Long Treasury Index	3%
SOFR + 4%	6%
Inflation Hedge	**17%**
NCREIF ODCE	9%
Custom Private Real Asset Index**	5%
Custom Public Real Asset Index***	3%
Liquidity	**5.5%**
BC 1-3 Year Gov't/Credit Index	4.5%
91 Day T-Bills	1%

^ 50% hedge ratio
*Comprised of 73% BC High Yield Index and 27% Morningstar LSTA US Leveraged Loan Index (One Quarter Lagged). Only Morningstar LSTA US Leveraged Loan Index portion is lagged by one quarter.
**Comprised of 75% S&P Global Infrastructure Index and 25% S&P Global LargeMidCap Commodity and Resources Index + 2% (One Quarter Lagged)

***Comprised of 25% Bloomberg Roll Select Commodity Index, 25% Bloomberg US TIPS Index, 25% S&P Global LargeMidCap Commodity and Resources Index, and 25% S&P Global Infrastructure Index.

7.0 REBALANCING POLICY

A. The Chief Investment Officer (CIO) shall rebalance the portfolio as needed in conformance with the asset allocation rebalance ranges set forth in Section 6.0.

B. The potential need to rebalance will be continuously monitored, and will be subject to deviations within the established rebalance ranges specified in Section 6.0.

C. The CIO will have discretion to rebalance to Target or to some other allocation, as long as it is within policy ranges.

D. Cash flows will be used first to rebalance, and to the extent possible, exchange-traded derivatives will be used to rebalance in a cost-effective manner.

E. All rebalancing activity shall be reported to the Board at the next scheduled meeting.

8.0 GENERAL MANAGER INVESTMENT PERFORMANCE POLICIES

The responsibility for securities selection, purchase and sale decisions, and proxy voting (where appropriate) is delegated to the external investment managers. The individual investment guideline parameters (including diversification constraints, concentration limits, asset type exclusions, etc.) and performance objectives for each investment manager will be established within the IMA or other applicable legal agreement(s) with each firm.

The Board expects to measure investment performance quarterly and will generally follow prudent time horizons when evaluating short, intermediate, and long-term performance of its investment managers. Generally, the Board will focus on a complete market cycle (defined as between three and five years) when analyzing a manager's performance relative to their broad-market-based benchmark, stated style, peer group, and other criteria deemed acceptable to the Board.

9.0 GROWTH ASSETS INVESTMENT POLICIES

GROWTH ASSETS OVERVIEW:

Assets classified in the Growth category include Public Equity (consisting of Domestic and International Equity), Private Equity, and Opportunistic Credit (consisting of Public Credit and Private Credit).

Public Equity: Public equity assets include funds shares/stock of a company through a public market. SamCERA invests utilizing both passive approaches (meant to track the performance and characteristics of major market indices, like the Russell 1000 Index and MSCI ACWI ex US IMI Index), and via active approaches that are meant to outperform the major market benchmarks. Public Equity is expected to produce returns higher than that provided from Defensive Fixed Income but at potentially higher levels of volatility. Exposure to this asset class will provide return streams generally correlated to that of general economic growth. There are two primary components to the Public Equity category: 1) Domestic Equity, and 2) International Equity.

1) **Domestic Equity**: SamCERA further breaks out its U.S. public equity holdings into two sub-composites: 1) U.S. Large Capitalization Domestic, which is comprised of U.S. companies valued generally over $10 billion, and 2) U.S. Small Capitalization Domestic, which is comprised of U.S. companies valued generally under $10 billion.
2) **International Equity:** International Equity consists of developed (public companies domiciled in developed market countries such as Germany, France, UK, Japan, etc.) and emerging markets (public companies domiciled in emerging market countries such as China, Brazil, Mexico, India, etc.)
   Additionally, a dynamic currency hedging strategy is utilized to dynamically hedge certain developed market currency exposures within the three equity strategies.

Private Equity: Private Equity are funds, typically illiquid investments, that directly invest in private companies, or that engage in buyouts of public companies. Private Equity is expected to be one of the highest returning asset classes over the long-term. Its role in the portfolio is

to provide high return potential to maximize the ability of the Fund to meet its performance objectives.

The Private Equity program will contain manager allocations to three primary sub-categories: 1) Buyouts, 2) Venture Capital, and 3) Distressed/Special Situations. These allocations will be implemented via allocation to primary and secondary fund investments, and co-investment opportunities. The sub-allocation targets and target ranges are summarized below:

Sub-Category	Target Allocation	Range
Buyouts	70%	+/- 30%
Venture Capital	30%	0 – 40%
Distressed/Special Situations	0%	0 – 30%

The responsibility for Private Equity sourcing is delegated to SamCERA's investment consultant. The Private Equity portfolio shall adhere to the following investment guidelines covering diversification and quality:

(a) Diversification: Subject to availability of sufficient attractive opportunities, the portfolio is to be diversified over multiple years by the following:

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.

Investment Manager: The reported value plus unfunded commitments of any one investment manager (excluding fund of funds) up to no more than twenty (20) percent of the reported value plus unfunded commitments of the total private equity portfolio.

Geography: Through commitments to funds located and/or investing both in and outside of the United States.

Industry: It is expected that the Private Equity portfolio will be generally diversified by sector/industry.

(b) Quality: All commitments to Private Equity by SamCERA must be of institutional quality as evidenced by other tax-exempt institutional investors' commitments to the investment manager's prior or current funds.

Fund managers are expected to comply with SamCERA's private placement disclosure rules.

Opportunistic Credit: Opportunistic Credit consists of lower-rated and higher-risk debt instruments (compared to Defensive Fixed Income within our Diversifying category) and credit-informed equities, and will be used to enhance income and return by investing via public and private investments in emerging market debt, high yield bonds, direct lending, bank loans, convertible bonds, and RMBS/CMBS/ABS instruments. This category will be

exposed to general economic risk factors, similar to public equities, but may provide a steadier stream of income and returns than public equity asset classes. There are two primary components to the Opportunistic Credit category: 1) Public Credit, and 2) Private Credit.

GROWTH ASSETS PERFORMANCE OBJECTIVE:

The performance objective of the Growth Assets Composite is to outperform, on a net-of-fee basis, a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for four composite sub-asset classes (which results in the following weights: 42% Russell 3000, 27% MSCI ACWI ex US IMI Index hedged, 12% Russell 3000 Index + 3% (one quarter lagged), and 19% Custom Opportunistic Credit Index).

The Public Equity composite has a maximum tracking error of 3% to its composite benchmark.

GROWTH ASSETS RISK EXPOSURES AND RISK MITIGATION:

Public Equity: The primary risk factors for Public Equity are correlation to general economic growth, high volatility in returns, and potential illiquidity in smaller-capitalization and certain emerging market stocks. SamCERA will control for these risk factors by diversifying the plan across assets that exhibit limited correlation to economic growth. In addition, SamCERA's rebalancing ranges for small-cap equity will help ensure adequate diversification within the equity portion of the SamCERA portfolio.

Private Equity: Private Equity, while expected to provide attractive returns, also have a number of risks. Chief among these are illiquidity risk and leverage. By their nature Private Equity is generally illiquid in that the life of these fund investments can be as long as ten to twelve years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by private equity managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

Opportunistic Credit: Opportunistic Credit typically includes exposure to credit default risks, emerging markets sovereign/corporate default risk, potential leverage, and potential illiquidity. It is expected that strategies within Opportunistic Credit will have a maximum leverage ratio of 2.5x at the fund level (i.e. certain holdings may be levered higher than the 2.5x limit, as long as the fund (or strategy) has a maximum 2.5x leverage). Strategies employing higher leverage will be relegated to the distressed/special situations category of Private Equity (see above).

GROWTH ASSET CLASSES	BENCHMARK INDEX

Growth Assets	Customized Benchmark Portfolio
Public Equity	
Domestic Equity	**Russell 3000**
International Equity	**MSCI All Country World ex US IMI hedged***
Private Equity	**Russell 3000 + 3% (One Quarter Lagged)**
Opportunistic Credit	**73% BC High Yield Index and 27%** Morningstar LSTA US **Leveraged Loan Index (One Quarter Lagged)**

* 50% hedge ratio

10.0 DIVERSIFYING ASSETS INVESTMENT POLICIES

DIVERSIFYING ASSETS OVERVIEW:

Assets classified in the Diversifying category include Defensive Fixed Income and Absolute Return.

Defensive Fixed Income: Defensive Fixed Income assets are debt investments that provide a return in periodic payments in debt instruments issued by governments and corporations. Defensive Fixed Income is expected to provide a lower, but steadier stream of returns (mostly via income returns) than public equity asset classes, and also to reduce the risk of the overall portfolio as bonds have lower risk than most other major asset classes.

Absolute Return: The Absolute Return category will focus on funds that have an absolute return orientation and are not expected to contain significant levels of public market beta over the long term. This category is expected to provide a diversifying return stream to the total plan that is not correlated to the public markets. Suitable investment strategies include multi-strategy funds, alternative risk premia funds, GTAA or global macro funds, and CTA/Managed Futures trend following funds. It is expected that this category will be implemented via commingled funds and not in separate accounts so that SamCERA's investment in any single fund would be 'ring-fenced' (i.e. any potential losses would be limited to the investment in the single fund, and not extend to the total plan assets).

DIVERSIFYING ASSETS PERFORMANCE OBJECTIVE:

The performance objective of the Diversifying Assets Composite is to outperform, on a net-of-fee-basis, a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for two composite sub-asset classes (which results in the following weights: 52% Bloomberg Barclays Aggregate Index, 32% to SOFR + 4, and 16% Bloomberg Long Treasury Index. The Defensive Fixed Income sub-asset class has a maximum tracking error of 3% to its composite benchmark.

DIVERSIFYING ASSETS RISK EXPOSURES AND RISK MITIGATION:

The primary risk factors for Defensive Fixed Income are sensitivity to changes in interest rates, changes in mortgage prepayment speeds, and investment-grade corporate and sovereign credit risk.

Absolute Return, while expected to provide attractive returns that are less correlated to the returns provided by public asset classes, also has a number of unique risks. Chief among these is leverage. Leverage can be employed by absolute return managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through fund selection as well as portfolio construction and diversification.

DIVERSIFYING ASSET CLASSES	**BENCHMARK INDEX**
DIVERSIFYING ASSETS	**CUSTOMIZED BENCHMARK PORTFOLIO**
Defensive Fixed Income	
Core	Bloomberg Barclays Aggregate Bond Index
Long Treasury	Bloomberg Long Treasury Index
Absolute Return	SOFR + 4%

11.0 INFLATION HEDGE INVESTMENT POLICIES

INFLATION HEDGE OVERVIEW:

The Inflation Hedge category combines inflation-sensitive assets under a single asset class to simplify the asset allocation process and enable better performance monitoring of the plan's overall, direct exposure to assets with inflation-hedging properties. The plan also has indirect exposure to inflation-sensitive assets through other asset classes, such as Public Equity. When determining the appropriate allocation of inflation protection, both direct and indirect exposures to inflation-sensitive assets across the plan are taken into account. The Inflation Hedge category is expected to provide a high degree of inflation beta, attractive risk-adjusted returns and diversification benefits to the overall plan.

Inflation Hedge is broken out into three subcategories:

1) Real Estate, 2) Private Real Assets, and 3) Public Real Assets

Real Estate: Real Estate is expected to provide a return and risk profile between that provided by Defensive Fixed Income and Public Equities. Real estate will be composed of three sub-categories: 1) Core, 2) Non-Core, and 3) Debt. Most of the exposure will be in Core real estate assets of the highest quality located in the best locations in North America, Europe, and Asia. Non-Core proprieties are expected to provide somewhat higher return potential along with somewhat higher risk than Core assets. Real Estate Debt strategies range from lower risk senior loans on stable properties to higher risk/return mezzanine loans, construction loans and preferred equity. SamCERA utilizes Debt strategies for risk mitigation and to enhance the portfolio's yield.

Income will be a large part of the return stream generated from the Real Estate portfolio. The role of this portfolio is to provide diversification benefits, some protection against unanticipated inflation, and a steady income stream. The sub-allocation targets and target ranges are summarized below:

Real Estate Strategy	Target Allocation	Range
Core Real Estate	60%	50 -70%
Non-Core Real Estate	20%	0 - 30%
Real Estate Debt	20%	0 - 30%

Private Real Assets: Private Real Assets are expected to provide attractive total and risk-adjusted returns that exhibit low correlations with traditional asset classes but positive correlation with inflation. Private Real Assets will be composed of two sub-categories: 1) Infrastructure (Core and Value-Add, Midstream Energy, and Power), and 2) Natural Resources (Energy Exploration & Production, Mining, Farmland, Timber, and Water). These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation targets and target ranges are summarized below:

Sub-Category	Target Allocation	Range
Infrastructure	75%	+/- 25%
Natural Resources	25%	+/- 25%

The responsibility for Private Real Asset sourcing is delegated to SamCERA's investment consultant.

Public Real Assets: Similar to Private Real Assets, Public Real Assets is expected to provide positive correlation to inflation, but with potentially higher beta to public equity markets. Public Real Assets may be used to fund new strategies in Private Real Assets and will be

composed of four sub-categories: 1) Commodities, 2) U.S. TIPS, 3) Listed Global Natural Resources, and 4) Listed Global Infrastructure. All four sub-categories are meant to provide some protection from higher levels of unanticipated inflation while providing a diversifying return stream from that of public markets.

The sub-allocation targets and target ranges are summarized below:

Sub-Category	Target Allocation	Range
Commodities	25%	0 - 50%
U.S. TIPS	25%	0 - 50%
Listed Global Natural Resources	25%	0 – 50%
Listed Global Infrastructure	25%	0 – 50%

INFLATION HEDGE PERFORMANCE OBJECTIVE:

The performance objective of the Inflation Hedge Composite is to outperform, on a net-of-fee basis, a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for three composite sub-asset classes (which results in the following weights: 53% NCREIF ODCE, 29% Custom Private Real Asset Index, and 18% Custom Public Real Asset Index).

INFLATION HEDGE RISK EXPOSURES AND RISK MITIGATION:

Real Estate: Many real estate funds utilize leverage to enhance returns. Lack of liquidity is also a concern, but less so for core real estate and senior debt investments. Non-core strategies also tend to have more exposure to general economic conditions than core properties.

These risks will be mitigated in a number of ways. First, the primary emphasis of SamCERA's real estate program will be focused on Core properties, with a secondary emphasis to Non-Core properties and Debt strategies.

Private Real Assets: By their nature, Private Real Assets are generally illiquid in that the life of these fund investments can be as long as ten to twelve years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by alternative managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

INFLATION HEDGE ASSET CLASSES	BENCHMARK INDEX

INFLATION HEDGE ASSETS	CUSTOMIZED BENCHMARK PORTFOLIO
REAL ESTATE	NCREIF ODCE
PRIVATE REAL ASSETS	CUSTOM PRIVATE REAL ASSET INDEX
PUBLIC REAL ASSETS	CUSTOM PUBLIC REAL ASSET INDEX

12.0 LIQUIDITY INVESTMENT POLICIES

LIQUIDITY ASSETS OVERVIEW:

Assets classified in the Liquidity category include 1) Cash Flow-Matched Liquidity, and 2) Cash & Cash Overlay.

The Cash Flow-Matched Liquidity category consists of both our Cash Flow-Matched Liquidity account and our County Treasury Pool. The Cash Flow-Matched Liquidity account consists mainly of investment grade, shorter-term government and credit securities with a liquidity profile that matches the next three-year's projected benefit payment schedule to satisfy benefit payment obligations. The County Treasury Pool consists of shorter-term fixed income and cash equivalent investments.

On an annual basis, cash projections of expected contributions and plan benefit payments will be updated by our actuary, and an assessment by the Board will be made as to whether to replenish the Cash Flow-Matched Liquidity account at that time. Given that benefit payments are paid monthly, the Cash Flow-Matched Liquidity account will be drawn down monthly as well. Assuming annual replenishment, the balance in the Cash Flow-Matched Liquidity account is expected to fluctuate between 24 and 48 months. It is anticipated that SamCERA will maintain a minimum of 12 months balance.

Cash & Cash Overlay investments will be used for satisfying miscellaneous liquidity needs, including capital calls, expenses, and other unforeseen needs, and also supporting the derivatives positions in our cash overlay and currency hedge overlay account.

LIQUIDITY ASSETS PERFORMANCE OBJECTIVE:

The performance objective of the Liquidity Assets Composite is to meet the plan's liquidity needs.

LIQUIDITY ASSETS RISK EXPOSURES AND RISK MITIGATION:

The primary risk in the Cash Flow-Matched Liquidity account component is credit risk. The portfolio is structured to be primarily a buy and maintain strategy using cash flows from coupons and principal maturities to line up with benefit payments. The biggest risk to the strategy is risk of default.

LIQUIDITY ASSET CLASSES	BENCHMARK INDEX
LIQUIDITY ASSETS	CUSTOMIZED BENCHMARK PORTFOLIO
Liquidity	
Cash Flow-Matched Liquidity	BC 1-3 Year Gov't/Credit Index
Cash & Cash Overlay	91 Day T-Bills

13.0 QUARTERLY INVESTMENT PERFORMANCE REPORTING

The quarterly investment performance reports will be designed as a risk management tool and will afford the Board the opportunity to timely identify potential risk issues within the portfolio and to assess the relative performance of the investment managers.

The report will provide sufficient information to assess the following:

A. Total and active risk assessment at total fund, composite and individual manager level.

B. Performance attribution at total fund, composite and individual manager level.

C. Adherence to the investment style for which the manager is retained, as measured by the quarterly risk adjusted active return (deviation of the manager's performance from the specified performance benchmark) over the last quarter, six months, one-, three-, and five-year periods.

D. Ability of the active manager to demonstrate positive information ratios.

E. Quarterly, annual, three- and five-year total time-weighted returns relative to the specified performance benchmark and manager style peer group.

14.0 ANNUAL INVESTMENT STRATEGY

Annually, the Board/Staff shall convene an investment strategy session with the objective of addressing strategic investment policy issues and to deliberate any policies that could benefit the performance of the retirement Fund. The agenda for these sessions should include (but is not limited to) the following information:

(a) Compare the Fund's actual investment performance against the investment objectives set forth in Section 3.0 and evaluate the relative success or failure of the prior year's performance; specific commentary to this objective shall be an integral part of the performance measurement process.

(b) Compare each public investment manager's investment performance against the relevant benchmarks and peer groups.

(c) Evaluate and review the total Fund performance attribution and contribution to return at the composite level to isolate performance drivers.

(d) Evaluate and review the various allocation exposures and ex-post portfolio riskof the plan versus appropriate policy limits and on-going trends through time.

(e) Evaluate and review the portfolio rebalancing activity for the year.

(f) Compare each public investment manager's fees to their respective peer universe.

15.0 PROXY VOTING

The Investment Managers are delegated authority for the voting of proxies, subject to the following guidelines:

A. All proxies shall be voted in the best interest of the shareholders, but in no instance shall the economic interests of the retirement Fund be subordinated to any other interest.

B. Investment managers shall provide staff with monthly or quarterly reports on all proxies cast, in a mutually acceptable format.

16.0 SECURITIES LENDING

A. Pursuant to Section 2.0 (A), the Custodian shall manage a securities lending program to enhance income in accordance with the terms and conditions set forth in a mutually acceptable securities lending agreement and guaranty.

B. The Board reserves exclusive authority to approve the securities lending agreement prior to the commencement of securities lending activity.

C. Unless otherwise specified in the agreement(s):

(i) All loans shall be marked-to-market daily.

(ii) Collateral on each loan shall be maintained daily at 102% of loan value for domestic securities and 105% of loan value for international securities.

(iii) Acceptable collateral shall be in the form of cash or obligations issued or guaranteed by the U.S. Government, or its agencies or instrumentalities, as well as highly-rated OECD Debt (rated AA- or better).

(iv) Borrower must have a long-term credit rating of either "A" from S&P or "A2" from Moody's. For split rated borrowers, the higher rating shall prevail if not the same rating, with the lower rating having a minimum long-term credit rating of either "A-" from S&P or "A3" from Moody's.

(v) The maximum allowable amount of assets on loan to any single borrower shall not be greater than 20% of total lendable assets.

(vi) The maximum total amount of program assets on loan shall not be greater than 50% of total lendable assets.

D. The Chief Investment Officer shall be responsible for monitoring the securities lending program and recommending changes as appropriate.

APPENDIX A

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Investment Committee Charter as Amended
RESOLUTION 99-00-09

This Resolution, adopted by the Board of Retirement (Board)
of the San Mateo County Employees' Retirement Association (SamCERA),
sets forth the Charter for the Board's Investment Committee.

WHEREAS, Article XVI, §17 of the Constitution of the State of California as amended in 1992 to read, in pertinent part, as follows:

Notwithstanding any other provisions of law or this Constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system, subject to all of the following:

(a) The retirement board … shall have the sole and exclusive fiduciary responsibility over the assets of the ... system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets ... are trust funds and shall be held for the exclusive purposes of providing benefits to participants ... and their beneficiaries and defraying reasonable expenses of administering the system.

(b) The members of the retirement board ... shall discharge their duties with respect to the system 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. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.

(c) The members of the retirement board ... shall discharge their duties with respect to the system 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.

(d) The members of the retirement board...shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

(e) The retirement board..., consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the… system. &

WHEREAS, California Government Code §31595 states, as follows:
The Board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board…; &

WHEREAS, *The Board of Retirement,* wishes to exercise these powers as follows:
***EXERCISE OF POWERS**: The Board shall exercise its investment, management and administrative authority and responsibility through the approval of motions recorded in public meeting &*

WHEREAS, the Board has adopted SamCERA's Investment Policy and amendments thereto to direct the investments of the Retirement Fund and now wishes to establish an Investment Committee to guide the future evolution of SamCERA's Investment Policy. Therefore, be it

RESOLVED that the Board hereby establishes a standing Investment Committee to direct the Board in its ongoing evaluation of SamCERA's Investment Policy, including but not limited to

1.0 CONDUCT ASSET ALLOCATION STUDIES
1.1 Determine the characteristics of the Policy's liabilities in regards to the nature of Fund's cash flows

2.0 DEVELOP ASSET MIX ALTERNATIVES TO MEET LIABILITY REQUIREMENTS
2.1 Establish allowable asset classes
2.2 Determine asset class benchmarks
2.3 Develop risk, return & correlation projections

3.0 EVALUATE EFFICIENT FRONTIER ALTERNATIVES
3.1 Define risk, return and correlation
3.2 Evaluate mean variance optimization
3.3 Determine low risk alternatives and high risk alternatives
3.4 Scale portfolios between two extremes
3.5 Evaluate optimized efficient frontier
3.6 Integrate optimized efficient frontier with asset-liability relationships

4.0 ANALYZE BOARD RISK TOLERANCE
4.1 Assess risk/reward trade-offs
4.2 Assess contribution rate sensitivity & variability
4.3 Assess ability to exceed actuarial interest rate

4.4 Assess comfort level with characteristics of specific asset mixes

5.0 RECOMMEND PREFERRED ASSET MIX
- 5.1 Evaluate differences from current target
- 5.2 Evaluate Board's willingness to implement new target asset mix
- 5.3 Evaluate appropriateness of variance from peer public fund norms

6.0 RECOMMEND AMENDMENTS TO SAMCERA'S INVESTMENT POLICY
- 6.1 Adjust target asset mix
- 6.2 Introduce new benchmarks
- 6.3 Include required asset class/portfolio modifications

7.0 RECOMMEND REVISIONS TO MANAGER STRUCTURE
- 7.1 Adjust manager/style line-up as necessary
- 7.2 Introduce new managers/asset classes
- 7.3 Terminate managers/asset classes as necessary
- 7.4 Establish active & passive allocation targets as appropriate

8.0 IMPLEMENT CHANGES TO MANAGER STRUCTURE
- 8.1 Recommend time-line & approach to revise structure
- 8.2 Conduct manager evaluations
- 8.3 Establish portfolio and asset allocation rebalancing procedures

9.0 EVALUATE MANAGER PERFORMANCE
- 9.1 Monitor results of managers both gross and net of investment management fees
- 9.2 Assess consistency of portfolio decision making
- 9.3 Evaluate organizational, ownership, personnel & other firm developments

10.0 RECOMMEND AND EVALUATE INVESTMENT CONSULTANT STRUCTURE & PERFORMANCE
- 10.1 Recommend for Board determination the retention and termination of Investment Consultant(s) as necessary
- 10.2 Define and assign special projects as warranted
- 10.3 Monitor performance of Investment Consultant(s)
- 10.4 Conduct evaluations of Investment Consultant(s)
- 10.5 Evaluate organizational, ownership, personnel and other firm developments

11.0 INITIATE & EVALUATE SPECIAL INVESTMENT STUDIES

12.0 UNDERTAKE OTHER WORK ASSIGNED TO IT BY THE BOARD Be it further

RESOLVED that the Chair may appoint the members of the Investment Committee per Regulation 2.5.1. Be it further

RESOLVED that the Chief Executive Officer is hereby instructed to provide the Committee with access to all appropriate and available resources and records, so long as such access is consistent with sound fiduciary practices. Be it further

RESOLVED that the Chief Executive Officer is hereby authorized to provide compensation of $100 per meeting for not more than two meetings per month to the members of the Committee eligible for such compensation, per GC§31521. Be it further

RESOLVED that the Board hereby reserves to itself sole authority to accept, modify, or reject the recommendations, which the Investment Committee may present from time to time pursuant to the provisions of this Resolution, per Regulation 2.3.

ADOPTED by unanimous vote, January 25, 2000
AMMENDED by unanimous vote, May 22, 2001
AMMENDED by unanimous vote, October 25, 2004

APPENDIX B

Derivatives Investment Policy

1) Introduction

There is a genuine need to allow SamCERA's separate account managers to evaluate new securities and introduce them into their portfolios, given that the investment process followed by the investment managers complies with the subsequent provisions of this policy statement. This policy statement allows SamCERA's separate account Managers to exercise reasonable investment freedom, while minimizing the possibility of adverse implications for the Board.

2) Derivative Definition

A 'derivative' commonly is defined as a financial instrument whose performance is derived, at least in part, from the performance of an underlying asset (such as a security or an index of securities).

3) Types of Securities Included or Excluded

Since the derivative sector of the market is likely to experience considerable change, provisions must be made for the general characteristics of a derivative security, its evaluation and monitoring. Therefore, it is most appropriate to not attempt to definitively list all of the derivative securities that are covered by this policy. Instead, what will be explicitly stated is the investment process that governs derivative investments and the evaluation and monitoring requirements of this policy.

4) Approach to Policy

An approach has been developed which states allowable derivative investments, limited allocation derivative investments and restricted derivative investments.

Derivative securities not specified in the above three groups of securities must be evaluated in accordance with the following section entitled Derivative Investment Process. If the security meets these provisions and the spirit of these policies, the manager may establish a prudent position in the instrument. However, the manager must be able to demonstrate the appropriateness of such an investment in light of SamCERA's guidelines.

5) Counter-Party Evaluation

When entering into a non-exchange traded derivative investment, the investment manager must fully evaluate the other side of the derivative transaction—the counter-parties to the trade. Due to the possibility of counter-party default, SamCERA's investment managers must evaluate the risks associated with the counter-party as if an investment were being made in the traditional securities issued by the counter-party.

At a minimum, the investment manager must evaluate the counter-party's following criteria:

a) Corporate earnings stream
b) Corporate asset quality
c) Capitalization
d) Corporate liquidity
e) Moody's and Standard & Poor's debt ratings
f) Other fundamental investment and risk characteristics

For those counter-parties that are broker/dealers, they must:

a) Have investment grade (Moody's and S&P rated) debt
b) Be registered with the SEC
c) Have significant net capital to protect against potential adverse market circumstances

For those counter-parties that are financial institutions (banks), they must have:

a) Investment grade (Moody's and S&P rated) debt
b) Total assets in excess of $1 billion
c) Significant net capital to protect against potential adverse market circumstances

The investment manager must monitor individual investment and total portfolio exposure to counter-parties. Individual counter-party exposure must be well diversified and not concentrated in a small number of organizations.

6) Purposes for Derivatives

The acceptable investment purposes for the use of derivatives are as follows:

a. Appropriate to use futures, options and forward currency contracts to assist investment managers in mitigating portfolio risk.
b. Useful substitute for an existing, traditional investment. In certain circumstances it may be cheaper, quicker or easier to invest in a derivative instrument or security rather than transacting in the cash or traditional security market.
c. Provides investment value to the portfolio, while being consistent with SamCERA's overall and specific investment policies.
d. Obtains investment exposure that is appropriate with the manager's investment strategy and SamCERA's investment guidelines, but could not be made through traditional investment securities.

Given that one or more of these investment purposes are clearly met, it is the responsibility of the investment manager to explain and demonstrate how derivative investments impact portfolio risk and the context of the investment within the overall portfolio.

Any other derivative investment purpose is not allowed. Derivatives may not be introduced into the portfolio to create economic leverage or to create investment exposures that are otherwise excluded by SamCERA's Investment Policy. However, if a manager develops an investment purpose other than those listed above which he/she feels is legitimate and consistent with the spirit of SamCERA's guidelines, this purpose should be proposed in writing to the Board.

7) Investment Restrictions and Derivatives Policy

For the purpose of these guidelines, convertible debt, traditional zero coupon bonds, mortgage pass-through securities and asset-backed securities are not viewed as derivatives. Based upon the factors enumerated in the above Section 4 entitled Approach to Policy, the following guidelines have been established:

Allowable derivative investments

a. Stable and well-structured mortgage CMO's (Collateralized Mortgage Obligations)
b. Financial futures (if Exchange Traded)
c. Currency forward contracts and currency options (Exchange and OTC traded)
d. Interest rate swaps

Derivative investments with allocation limits

a. Interest only mortgage CMO's
b. Principal only mortgage CMO's
c. Options (if Exchange Traded)
d. Caps and floors as they apply to the above stated allowable derivative investments
e. Credit Default Swaps (CDS)

Derivative investments with allocation limits, as listed above, may not represent more than 5% of the individual portfolio manager's assets (based on market value) managed for SamCERA. At the same time, derivative investments with allocation limits in aggregate may not expose the individual manager's portfolio to losses in excess of 5% of the manager's total assets managed for SamCERA. In addition, the use of options, caps and floors, and CDS may be used only for defensive investment purposes.

Managers investing in the above-defined limited allocation derivative instruments should ensure that portfolio exposure is maintained within the stated constraints, and communicate the assumptions and model used to estimate VAR (Value at Risk) and/or other reasonable risk measurement procedures annually to the Boards.

Restricted derivative investments

a. Inverse floating rate notes and bonds
b. Structured notes

Restricted derivatives cannot be held in SamCERA's separate account portfolios at any time.

8) Risk Analysis and Monitoring of Derivatives

For those securities that are classified as derivative investments with allocation limits, the investment managers are required to test and measure derivative investment sensitivities to changes in key risk factors. These risk factors include extreme changes in interest rates, volatility, liquidity, credit quality, and cash market prices.

These risk factors will be assessed prior to initial investment and on a quarterly basis. Results of such risk testing on derivative investments with allocation limits will be supplied to SamCERA on an annual basis (December 31). If the investment manager identifies additional risks that should be evaluated, these other risk factors should be added to the list and handled in a manner consistent with the previously stated approach.

9) Derivative Investment Process

Investment managers are expected to cover the following issues before purchasing a derivative instrument or security, whether specifically stated as an allowable derivative investment, a derivative investment with

allocation limits, or a derivative not specifically discussed in the Investment Restrictions and Derivatives Policy section above:

a. Determine if the purpose for investing in a derivative security is consistent with one or more of the purposes in the previous section entitled Purposes for Derivatives.
b. Determine where the security fits into the classification system, if at all, stated in the Investment Restrictions and Derivatives Policy.
c. Evaluate, at a minimum, the counter-party risk and the risks stated in the Risk Analysis and Monitoring section of the derivatives policy.
d. Evaluate the derivative in a comparably thorough manner as the firm would any other traditional investment opportunity.

10) Reporting Requirements

It is the responsibility of SamCERA's investment managers to certify and demonstrate that their portfolios are in compliance with SamCERA's overall guidelines as well as those that apply to derivative investments. On an annual basis (December 31), SamCERA's investment managers will provide the following minimum monitoring information on all derivative securities:

a. A general statement from the investment manager that its portfolio is in compliance with this Derivatives Policy.
b. When stating the market value of the derivative exposure, the manager will specify the security pricing sources. The pricing source must be exchange-listed.
c. A statement of the risks (credit risk—an evaluation of potential counter-party default on obligations, market risk—percent of portfolio invested in derivatives, and any other relevant risks) associated with the derivative investments.
d. Potential adverse impact on market values if extreme adverse market movements occur.
e. A statement regarding the liquidity of the derivative investments.
f. Summary comments and the firm's list of approved counter-parties, ratings, and a statement regarding any changes to this list.
g. An overall statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

Appendix C

DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS

This amended policy is effective immediately upon its adoption. This policy is intended to supplement any applicable provisions of state or federal law, which shall govern in the event of any inconsistency.

I. PURPOSE

This Policy is adopted pursuant to the requirements set forth in Government Code Section 7513.85 to help ensure that San Mateo County Employees' Retirement Association's (SamCERA's) investment decisions are made solely on the merits of the investment opportunity. This Policy requires broad, timely, and updated disclosure of all Placement Agents, as well as their relationships, compensation, and fees. All capitalized terms used herein shall be defined as set forth in California Government Code section 7513.8.

II. APPLICATION

This Policy applies broadly to every type of SamCERA investment manager including, but not limited to, general partners, sponsors of hedge funds, private equity funds, real estate funds, and infrastructure funds, as well as public market investment managers.

This Policy, as last amended, applies to all agreements with External Managers that are:

(1) Entered into after the date this Policy, as last amended, is adopted; or
(2) Amended to extend the term of the agreement or the investment period, increase the commitment of funds by SamCERA, or otherwise change the agreement's substantive term, including increasing or accelerating the fees or compensation payable to the External Manager, to the extent such amendments to the agreement (referred to hereafter as "Amendment") are executed subsequent to the adoption of amendments to this Policy. In the case of an Amendment, the disclosure provisions of this Policy shall apply to the Amendment and not to the original agreement.

III. RESPONSIBILITIES

A. The Board is responsible for:

1. Only entering into agreements with External Managers which agree in writing to comply with this policy.

2. Not entering into any agreements with External Managers that have violated this policy within the previous five years. However, this prohibition may be reduced by a majority vote of the Board at a public session upon a showing of good cause.

B. Each External Manager is responsible for:

1. Executing an agreement requiring that the External Manager comply with this policy.

2. Providing the following information to SamCERA Investment Staff within 45 days of the date that investment discussions are initiated with the External Manager, and, in any event, prior to the completion of due diligence. In the case of Amendments, an updated Placement Agent Information Disclosure is required prior to execution of the Amendment.

a. Disclosure of payments or compensation by the External Manager or any of its principals, employees, agents, or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with SamCERA investments.

b. A resume for each officer, partner, and principal of the Placement Agent detailing their education, professional designations, regulatory licenses, and investment and work experience. If any such person is a current or former SamCERA Board Member, employee, or Consultant, or a member of the immediate family of any such person, this fact shall be specifically noted.

c. A description of any and all compensation of any kind provided, or agreed to be provided, to a Placement Agent, including the nature, timing, and value thereof. Compensation to Placement Agents includes, but is not limited to, compensation from the External Manager to third parties as well as the External Manager's own employees who solicit or market investments to SamCERA, or who are paid based upon investment commitments secured by such employees.

d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager's prospective clients.

e. A written copy of any and all agreements between the External Manager and the Placement Agent.

f. A statement whether the Placement Agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.

g. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with any state or national government.

h. The names of any current or former SamCERA Board Members, employees, or Consultants who suggested the retention of the Placement Agent.

3. Providing an update of any changes to any of the information provided pursuant to Section B.2 above within 30 calendar days of the date that the External Manager knew or should have known of the change in information.

4. Representing and warranting the accuracy of the information described in Section B.2 above.

5. Causing its engaged Placement Agent to disclose, prior to acting as a Placement Agent to SamCERA:

a. All campaign contributions made by the Placement Agent to any publicly elected SamCERA Board Member during the prior 24 month period. Additionally, any subsequent campaign contribution(s) made by the Placement Agent to any publicly elected SamCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SamCERA investment shall also be disclosed.

b. All gifts, as defined in Government Code Section 82028, given by the Placement Agent to any SamCERA Board Member during the prior 24 month period. Additionally, any subsequent gift(s) made by the Placement Agent to any SamCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SamCERA investment shall also be disclosed.

6. Acknowledging and agreeing that SamCERA reserves the right to deem any failure by a Placement Agent to disclose the information required by Sections B.5(a) and B.5(b) as a material breach of the External Manager's agreement with SamCERA.

C. SamCERA Investment Staff ("Staff") are responsible for:

1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or engagement.

2. Confirming, within 45 days of the time the execution of the investment contract or Amendment, that the information in Section B above has been received from the External Manager.

3. Securing the agreement of each External Manager in any contract or Amendment that is entered into after the date this Policy (as last amended) is adopted, that, in the event that there was or is an intentional material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy, SamCERA reserves the right to reimbursement of any management or advisory fees paid by SamCERA from the date of violation to the date of the imposition of the fees.

4. Prohibiting any External Manager or Placement Agent from soliciting new investments from SamCERA for five years after they have committed a material violation of this Policy; provided, however, that SamCERA's Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.

5. Providing the Board with Placement Agent information relating to each investment at the time the investment is brought to the Board for its decision.

6 Maintaining Placement Agent Information Disclosures as a public record and reporting to the Board any a material violation of this Policy.

Adopted December 14, 2010
Amended October 25, 2011
Amended March 28, 2017
Amended April 25, 2023

DEFINITIONS:
The following definitions are excerpted from California Government Code section 7513.8 and are current as of March 28, 2017. Should the legislature subsequently amend the definitions below, the definition of these terms as amended shall supersede the definitions contained in this policy.

"**External Manager**" means either of the following: (1) a Person who is seeking to be, or is, retained by a board or an Investment Vehicle to manage a portfolio of securities or other assets for compensation; (2) a Person who manages an Investment Fund and who offers or sells, or has offered or sold, an ownership interest in the Investment Fund to a board or an Investment Vehicle. (All code section references are to the Government Code, unless otherwise noted.)

"**Person**" means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

"**Investment Vehicle**" means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, managed by an External Manager in which a board is the majority investor and that is organized in order to invest with, or retain the investment management services of, other External Managers.

"**Investment Fund**" means a private equity fund, public equity fund, venture capital fund, hedge fund, fixed income fund, real estate fund, infrastructure fund, or similar pooled investment entity that is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, owning, holding, or trading securities or other assets. Notwithstanding the preceding sentence, an investment company that is registered with the

Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (15 U.S.C. Sec. 8a-1 et seq.) and that makes a public offering of its securities is not an Investment Fund.

"**Placement Agent**" means any Person directly or indirectly hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager or an Investment Fund managed by an External Manager, and who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale to a board or an Investment Vehicle either of the following: in the case of an External Manager as defined in subpart (1) of the definition of an External Manager, the investment management services of the External Manager; in the case of an External Manager as defined in subpart (2) of the definition of an External Manager, an ownership interest in an Investment Fund managed by the External Manager. Notwithstanding the preceding sentence, an individual who is an employee, officer, director, equity holder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.