Investment Policy Statement – Directive # 2

Private Markets Implementation

Scope

This Directive governs all investments in the private equity, private real assets, and private credit asset classes made by StanCERA ("Private Markets Portfolio" or "Portfolio"). This Directive is subject to all provisions of applicable law and the applicable limitations and requirements of StanCERA's Investment Policy Statement ("IPS") and related directives. Where the IPS is silent on private markets matters, this directive provides operative guidance. Where a conflict exists, the IPS governs.

The Board reserves the right to amend, supplement, or rescind this Directive at any time. This is a living document and will be updated to reflect experience, evolving investment products, and changes in the market environment.

Purpose

This Directive serves to: (1) establish policies and guidelines for Private Markets investments deemed appropriate and prudent for StanCERA; (2) define criteria against which investment opportunities are evaluated; and (3) provide a framework for the ongoing oversight of the Private Markets Portfolio. Roles and responsibilities of the Board, Investment Staff, Consultant, and Investment Managers are defined in the IPS. For purposes of this document, "Investment Staff" shall be defined as the Executive Director and anyone in the Retirement Investment Officer classification.

Objectives and Strategic Allocation to 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, private credit and real assets. The strategic objective of such investments is to generate returns superior to those available in the public markets to compensate for illiquidity and long investment horizons.

The Board recognizes that performance of private markets investments may be difficult to measure during the first several years. This Directive therefore establishes additional monitoring and reporting duties beyond those provided in the IPS to address these challenges.

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.

The long-term target allocation to Private Equity, Private Credit, Real Estate, and Infrastructure 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 13% to 50%. Asset allocation tables with target and ranges can be found in Directive #1.

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.

While both closed-end and open-end funds can be suitable for each asset class covered by the Directive, the majority of Private Equity and Private Credit commitments will be to closed-end funds. Allocations to the Real Estate and Infrastructure asset classes will include both open-end and closed-end funds.

Commitment Pacing & Over-Commitment Framework

Because capital calls and distributions occur at the discretion of each fund manager, committed capital does not equal capital at work. A pacing model is the primary tool used to manage vintage-year diversification, over-commitment levels, and progress toward target allocation.

Annual Investment Plan

A pacing model is the primary source to develop an Annual Investment Plan for Board review each year. The plan shall specify:

- Planned commitment volume by sub-asset class and vintage year;
- Target number of new manager relationships and re-up commitments;
- Pacing model assumptions and projected allocation trajectory;

The Annual Investment Plan serves as the primary operational authorization for commitments within delegated authority limits. Material deviations, including significant changes to planned commitment volume or sub-asset class allocations, require Board approval prior to execution.

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 33% 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 50%. If such a situation were to arise, the pacing study would, likely reflect lower future allocations until the Plan's exposure returns to appropriate levels.

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:

Sub-asset class
The private markets sub-asset classes include private equity buyout strategies, venture capital, Direct Lending , Special Situations/Credit Opportunities, core real estate, non-core real estate, and infrastructure. The target allocations and ranges are outlined in Directive #1.

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

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 and Canada.

Sector Constraints by Sub-Asset Class

Sub-Asset Class	Concentration Limit
Buyouts	No more than 35% in a single domestic or international economic sector
Venture Capital	No more than 50% within any particular sector may be invested in a single industry
Private Credit	No more than 35% in distressed, mezzanine, or opportunistic/special situations credit
Real Estate	No more than 35% in opportunistic strategies
Infrastructure	No more than 35% in a single domestic or international economic sector

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

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.

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 under this category.

Private Credit
Private Credit investments are highly negotiated, private debt investments. Direct Lending involves providing loans to 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. Credit Opportunities is a broad category that invests across multiple areas of the credit market and generally seeks both income and capital appreciation with higher expected returns than direct lending. Special Situations focuses on more complex event-driven situations where more traditional capital providers are unwilling or unable to participate. Investments can encompass debt or equity positions, typically to generate returns from the turnaround or dissolution of stressed and distressed assets.

Real estate
Real estate investments are typically made through private open-end and closed-end funds that invest in commercial real estate across office, multifamily, industrial, retail, medical, self-storage, and other property sectors. Investments may be structured as debt or equity positions. Closed-end funds generally deploy capital during the fund's investment period, typically the first one to four years, while open-end funds accept capital on a periodic basis, subject to fund terms. Closed-end funds commonly pursue value-add or opportunistic strategies, where capital appreciation is expected to be the primary driver of total return. Core and Core-Plus strategies serve as an income-producing foundation, while Non-Core strategies (Value-Add and Opportunistic) seek higher long-term return enhancement.

Infrastructure
Infrastructure investments are made in facilities and essential services necessary for the functioning of a modern society. Infrastructure assets usually exhibit stable cash flows

and high barriers to entry. Infrastructure funds follow various strategies including taking debt and/or equity positions. Infrastructure assets are generally long-lived assets and the fund life may extend longer than other private market investments.

Governance and Delegated Authority

The delineation of roles and responsibilities is important for effective administration of StanCERA's Private Markets Portfolio. The Board retains responsibility for approving this Private Markets Directive and reviewing the annual investment plan of StanCERA's Private Markets Portfolio. The Board, with input from Investment Staff and Consultant, shall review this PM Directive 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 below:

The Executive Director with the unanimous agreement of all Investment Staff, 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 the following limits per commitment based on percent of total plan size at the time of approval:

Sub-Asset Class	**Authority Limit (% of Plan Assets)**
Private Equity (Venture Capital)	0.50%
Private Equity (Buyouts)	1.00%
Private Credit (Direct Lending & Asset Based Lending)	1.00%
Private Credit (Special Situations/ Credit Opportunities)	1.00%
Real Estate (Core)	1.50%
Real Estate (Non-Core)	1.00%
Infrastructure (Core)	1.50%
Infrastructure (Non-Core)	1.00%

Commitments exceeding these limits require full Board approval. In cases where a fund closing timeline does not permit a scheduled Board meeting, the Executive Director may request Board approval via written consent or a special meeting.

All commitments within delegated authority must be generally consistent with the current Annual Investment Plan. Material deviations outside the Plan parameters require Board approval prior to execution.

Specialized Private Market Transactions

Investment Staff, in consultation with the General and/or Specialized Consultant, may evaluate and execute GP-led transactions, including continuation vehicles and similar restructurings, as part of the normal management of the Private Markets Portfolio. These transactions are intended to facilitate the management of existing Private Markets

investments and shall be evaluated consistent with the due diligence standards applicable to primary fund commitments.

GP-led transactions may be executed with respect to an existing StanCERA investment, subject to applicable delegated authority limits and portfolio guidelines. Any additional capital committed by StanCERA to a GP-led transaction shall be treated as a new commitment for purposes of delegated authority limits.

Transactions executed under delegated authority, other than an election to cash out of an existing investment, shall be reported to the Board at its next regular meeting.

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:

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. The responsibilities below supplement, and do not replace, those assigned in the IPS. 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

Investment Staff

Investment Staff shall ensure that Consultant has conducted extensive, documented due diligence on all Private Markets 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 Directive, 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 the Governance and Delegated Authority;
- Conducting an on-site due diligence visit to each manager's headquarters office when necessary and practicable; and
- Completing an Executive Summary Report for each Private Markets Commitment.

List of Reports Required for Each Investment Recommendation/Approval

Report	**Source**
Recommendation/Approval memo	Investment Staff
Recommendation/Approval memo	Consultant
Compliance Checklist	Investment Staff
Comprehensive Due Diligence Report with Executive Summary (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.

Portfolio Monitoring

In addition to the portfolio monitoring responsibilities outlined in the IPS, the Consultant and Investment Staff will closely monitor and analyze the Private Markets Portfolio so that the strategic objective of the Portfolio can be met. Monitoring encompasses both individual fund performance and Portfolio-level health and includes, as appropriate:

- Monitoring Portfolio and Investment Manager performance;
- Monitoring compliance with applicable investment guidelines, governing agreements, the IPS, this Directive, and related procedures;
- Conducting ongoing due diligence of Investment Managers, including monitoring for material organizational, operational, legal, regulatory, financial, or personnel developments that could affect existing or prospective investments;
- Conducting periodic reviews of the overall Private Markets Portfolio and individual Investment Managers, including periodic due diligence reviews conducted in accordance with Directive #4;

- Reporting material compliance violations or significant adverse developments, together with recommendations for appropriate action

Performance Metrics
All investments shall be evaluated using the following standard metrics:

- Internal Rate of Return (IRR) – both gross and net of fees and carried interest;
- Total Value to Paid-In Capital (TVPI);
- Distributions to Paid-In Capital (DPI);
- Residual Value to Paid-In Capital (RVPI); and
- Public Market Equivalent (PME) – using a relevant index as determined by the Consultant.

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

II. Review

The Board shall review this policy at least annually and amend it as appropriate.

III. History

Adopted by the Retirement Board on 8/25/2026

POLICY APPROVAL DATE: August 25, 2026