Investment Policy Statement – Directive # 4

Investment Manager Due Diligence

Rationale

The Due Diligence Committee understands that given the number of investment managers that StanCERA currently employs, it doesn't have a lot of time to spend analyzing each and every manager, yet it wishes to employ the analytical and research resources it has in the most efficient way possible. Further, StanCERA also acknowledges that performance matters are generally discussed each month at regular investment meetings and are monitored on a continual basis by StanCERA staff and its external consultants. As such, this policy places more emphasis on continual staff monitoring and reporting back to the Committee (and ultimately the full Board) on the disposition of manager performance when warranted.

Purpose

The purpose of the policy is to:

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

General Policy

At least annually, or more appropriately whenever conditions warrant, staff will inform the Due Diligence Committee of potential concerns the Organization may have with the Manager. Staff (which includes internal and external sources) will meet with the Committee to discuss the concerns and decide how best to proceed. This could include the following:

1. Communication with the manager with a formal request for more information regarding the concern at hand. This most typically can be in the form of a formal questionnaire sent to the manager requesting their input and potential solutions for correcting the concern.
2. Staff and Committee would then re-convene to discuss the input received and decide if further investigation is warranted.
3. If further investigation is warranted, staff would then set up either an in-person visit or an electronic conference to discuss their concerns with the manager directly.
4. If Organizational infrastructure is the main concern, then it may be prudent to attempt to perform further diligence onsite.
5. The Committee would then report out directly to the full Board for further disposition or resolution

The Committee should convene at least once a year regardless of any manager status simply to be kept informed of how the Investment Governance process is proceeding and to determine whether any changes are needed. Should the Committee wish to proceed with a formal questionnaire sent to the manager or perform onsite diligence/interviews, the following processes and procedures may be used as a guide:

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

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

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

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

II. Review

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

III. History

Adopted by the Retirement Board on 11/25/14
Revised 9/25/2018
Revised 5/28/2019
Revised 9/28/2021
Revised 12/2/2025
Revised 8/25/2026

POLICY APPROVAL DATE: August 25, 2026