Tulare County
Employees’ Retirement Association

Private Markets Investment Policy Statement

April 23, 2025

1. Scope

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

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

2. Purpose

The purpose of this Policy is to 1) set forth the private markets policies and guidelines which are deemed to be appropriate and prudent; 2) establish criteria against which private markets opportunities are to be measured; and 3) serve as a review document to guide the ongoing oversight of TCERA's Private Markets Portfolio ("PM Portfolio") on a consistent basis. The Policy also defines roles and responsibilities of the Board, TCERA Administrative Staff ("Administrative Staff"), the TCERA PM Consultant ("Consultant"), and the Investment Managers ("Investment Managers") hired to manage plan assets.

3. Governance

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

A. Board

The Board retains responsibility for approving this PM Policy and approving the annual commitment amounts for TCERA's PM Portfolio. The Board, with input from Administrative Staff and Consultant, shall review this PM Policy to determine whether amendments are necessary. The Board, with input from Administrative Staff and Consultant, is responsible for monitoring the effectiveness of the PM Portfolio relative to its stated objectives.

B. Administrative Staff

The Retirement Administrator shall be responsible for assisting Consultant in implementation of TCERA's PM Portfolio. Specific responsibilities shall include supporting the Consultant in funding periodic capital calls made by Investment Managers and assisting the Consultant in collaborating with outside counsel as it pertains to contract negotiations with Investment Managers.

C. **Consultant**

The Consultant is hired by the Board as a fiduciary to TCERA. Consultant shall assist the Board in monitoring the performance of Investment Managers and make related recommendations to assist the PM Portfolio in achieving its stated objectives.

Consultant, acting in a non-discretionary capacity, shall be responsible for:

1) Assist the Board in developing this PM Policy and recommending all necessary changes to it, including the establishment of sub-asset allocation targets and ranges, permissible strategy types, and the determination of appropriate strategy benchmarks.

2) Consultant shall prepare a capital commitment pacing analysis as needed, in order to assist the Board in determining annual targeted capital commitment amounts.

3) Assisting Administrative Staff in funding periodic capital calls. This includes monitoring anticipated liquidity needs relative to known and anticipated capital calls.

4) Ongoing monitoring of Investment Managers' compliance with a) their respective investment guidelines as set forth in their contract; b) this PM Policy; and c) applicable requirements of TCERA's IPS.

5) Prepare comprehensive performance reporting to the Board, summarizing all aspects of the Private Markets Portfolio, relative to stated objectives as described in this PM Policy.

6) For certain private markets strategies, Consultant shall act in a non-discretionary capacity, providing recommendations for consideration by the Board. The Board may during its consideration, however, authorize the Consultant to act in a discretionary capacity for a closed-end investment for a particular investment in the private market strategies listed below. These recommendations shall be based on a thorough due diligence process. Consultant responsibilities with respect to such investment strategies includes ongoing monitoring, and recommendations for retention or termination, as is appropriate. These private markets strategies may include:

    a. Core Real Estate
    b. Real Estate Debt
    c. Private Infrastructure
    d. Legacy Private Credit

Consultant shall also be responsible for the following, acting in a discretionary capacity:

7) On behalf of TCERA, invest certain components of the PM Portfolio by sub-asset class, implementation vehicle, geography, industry, and vintage year, in accordance with this PM Policy. These private market strategies may include:

    a. Private Equity

b. Value-Add & Opportunistic Real Estate
c. New Private Credit

8) Subject to this PM Policy, enter into subscription agreements on TCERA's behalf, making capital commitments to Private Markets fund investments managed by third-party Investment Managers that, in Consultant's judgement, are suitable for the PM Portfolio. These commitments are to be based on comprehensive due diligence and in consideration of TCERA's existing PM Portfolio. When entering into subscription agreements on TCERA's behalf, Consultant will necessarily need to make certain subjective judgements within its fiduciary capacity.

D. **Investment Managers**

In the context of closed-end fund commitments, Investment Managers is meant to reference the General Partner ("GP"). Investment Managers shall be responsible for compliance with a) applicable law, b) the specific investment guidelines as set forth in their respective contracts including applicable side letters, if any; Investment Managers shall be responsible for all aspects of portfolio management as set forth in their respective contracts with TCERA. They shall also:

1. Communicate with Administrative Staff and/or Consultant promptly regarding investment strategy, investment results, or any material non-conforming compliance issues in a manner as provided in their respective contracts that may have significant and/or negative impact on the portfolio;
2. Cooperate with Administrative Staff, Consultant, TCERA's custodian, and other TCERA vendors concerning requests for information;
3. Submit reports to Administrative Staff and Consultant in accordance with their contract terms.

4. Objectives of investing in Private Markets

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

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

Portfolio construction will be designed to produce a diversified mix of returns, subject to the guidelines and constraints outlined under each sub-category. Diversifiable risks associated with this PM Portfolio include sub-asset class, vintage year, manager and the size of the individual investments, geography, and position in the capital structure. The risks associated with Private Markets will be viewed within the context of the entire Fund.

5. Strategic Allocation to Private Markets

The long-term target allocation to the Private Markets 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 over time, and due to the illiquid nature of investments and the volatility of total plan assets, the allocation to Private Markets can range as follows:

	Allocations as a percent of total plan assets			
	Min	Target	Max	Investment Method
Private Equity	**0%**	**11%**	**16%**	
Buyouts	0%	9%	12%	Consultant Discretion
Venture Capital	0%	2%	5%	Consultant Discretion
Real Assets	**0%**	**19%**	**22%**	
Core Real Estate	0%	2%	10%	Non-discretionary
Real Estate Debt	0%	5%	8%	Non-discretionary
Private Infrastructure	0%	4%	8%	Non-discretionary
Value-Add Real Estate	0%	4%	7%	Consultant Discretion
Opportunistic Real Estate	0%	4%	7%	Consultant Discretion
Private Credit*	**0%**	**8%**	**105**	
Legacy Private Credit	0%	4%	7%	Non-discretionary
New Private Credit	0%	4%	5%	Consultant Discretion

*Legacy Private Credit refers to the direct partnership investment program managed by Sixth Street Partners. New Private Credit investments are intended to be made opportunistically, to complement and diversify the exposures held in the Legacy Private Credit bucket.

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

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

Over commitment: Because timing of both contributions and distributions is at the discretion of each private fund manager, commitments do not equal money at work. To reach target allocations, it is, therefore, necessary to commit more than the stated targets 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 amounts. If such a situation were to arise, the pacing study would, if possible, reflect lower future allocations until the Plan's exposure returns to appropriate levels.

6. Guidelines

TCERA will gain exposure to private markets investments by hiring external investment managers. In the case of open-ended investment vehicles whereby the Consultant advises the Board, the guidelines governing the investment vehicles under consideration will be reviewed with the Board.

The following shall serve as the Investment Guidelines for the Consultant managing the discretionary components of the Private Markets Portfolio. The Private Markets Portfolio is to be diversified over 4 to 6 years from the most recent date of change in allocation targets, as follows:

A. **Sub-asset class**

The Private Markets Portfolio is intended to be diversified by sub-asset class. Within private equity, this may include buyout, growth equity, and venture capital. Within private credit this may include direct lending, mezzanine debt, distressed debt, special situations, and generalist / non-corporate debt investments. Within real estate this may include core, value-add, and opportunistic real estate. Target allocations and ranges are outlined in the Strategic Allocation to Private Markets section.

B. **Vintage year**

Subject to periodic pacing studies, 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. In any case, the Board will maintain authority for approving annual commitment amounts.

C. **Commitment Amounts**

The Board will be responsible for approving annual commitment amounts in aggregate to the PM Portfolio and to each asset class, with advice from Consultant. When sizing how the total commitment amounts are allocated to limited partnerships, the Consultant shall seek to balance the desire of obtaining diversification with the goal of focusing on building meaningful relationships with third-party Investment Managers and ensuring that the number of individual fund commitments does not become unmanageable over time. Commitment sizing will also be dependent on the level of anticipated diversification of the underlying investments held within a fund.

The following shall serve as the range of permissible commitment amounts, expressed as a percentage of the total annual commitment amount to a given asset class:

Asset Class	Anticipated # of fund commitments per year	Minimum Commitment Percentage	Maximum Commitment Percentage
Private Equity	3-5	15%	40%
Real Estate	2-4	20%	50%
New Private Credit*	0-2	0%	100%

*Because New Private Credit will complement legacy private credit, and commitments are anticipated to be more opportunistic in nature, the number of individual commitments on a given year may vary.

Board and Consultant recognize that in certain instances, where a limited partnership is over-subscribed and capacity is limited, the actual commitment percentage may be less than intended, potentially causing the commitment percentage to fall below the ranges established above.

D. **Geography**

While the investments made by each investment strategy will be governed by the investment guidelines corresponding to each strategy and the overall private markets exposure is expected to have the majority of its investments domiciled in North America, the PM portfolio may have exposure to investments domiciled outside North America, including investments denominated in non-US dollar currency.

E. **Vehicle Structure**

The vast majority of the PM Portfolio is expected to be committed to limited partnerships whose GPs make direct investments. While fund-of-funds shall not be targeted as primary investment vehicles, the Consultant may commit up to 20% of each asset class' target exposure in secondary or co-invest funds whose GPs invest in funds and investments managed by other GPs. Such secondary or co-invest commitments may be considered only to the degree warranted by the attractiveness of each opportunity and its fit in the portfolio.

7. Performance Objectives

With the understanding that evaluating performance of private markets investments needs to be long-term in nature (i.e. performance comparisons are generally not meaningful for the first several years of a private markets program), the following benchmarks shall be used for purposes of performance evaluation:

Asset Class	Time-weighted	Money Weighted (IRR)
Private Equity	Russell 3000 + 300 BPS	C|A Global All Private Equity
Private Credit	S&P/LSTA U.S. Leveraged Loan 100	Dependent on strategy

	Index Leveraged Loan 100 Index+ 200 BPS	
Core Real Estate	NCREIF ODCE	n/a
Real Estate Debt	Bloomberg Barclays Non-Agency CMBS Index	n/a
Infrastructure	S&P Global Infrastructure	n/a
Value-Add & Opportunistic Real Estate	NCREIF ODCE + 200 BPS	C|A U.S. Real Estate

Since the industry's most widely accepted method of measuring performance in private markets investments is IRR, TCERA will weight each portfolio's IRR performance (relative to the corresponding private markets universe, as available) in evaluating the Consultant's performance. Consultant will monitor and provide portfolio level IRRs with other generally accepted measures of private markets performance, including Total-Value to Paid-In-Capital multiple ("TVPI") and Distribution to Paid-In-Capital ("DPI) multiples. These measures are meant to evaluate each private portfolio's performance relative to a comparable private universe of funds.

To measure performance relative to public assets, TCERA will also monitor and review long-term time-weighted returns relative to appropriate public benchmarks. Short-term time-weighted returns are not reviewed as lagged reporting by private markets funds can generate significant distortions in short-term numbers.

8. Due diligence process for Private Markets Investment Selection

TCERA 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 Consultant:

A. **Consultant**

Consultant shall conduct extensive, documented due diligence before making any Private Markets investment recommendations (in the case of non-discretionary asset classes) or capital commitments. 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 to the extent possible;
- 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;
- and
- Assess what exit strategies exist to liquidate existing investments owing to poor performance and, if necessary, to avoid future investments in similar funds

9. History of Policy Revisions

POLICY APPROVAL DATE: January 26, 2022
REVISION APPROVAL DATE: April 23, 2025

<u>Policy Review</u>

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