MCERS
Monroe County Employees Retirement System

MONROE COUNTY EMPLOYEES RETIREMENT SYSTEM INVESTMENT

POLICY STATEMENT

Adopted April 25, 2005
Reviewed November 27, 2006
Reviewed November 26, 2007
Reviewed February 23, 2009
Reviewed November 23, 2009
Reviewed November 22, 2010
Reviewed August 27, 2012
Reviewed August 26, 2013
Revised August 24, 2015
Revised December 11, 2017
Revised November 27, 2018
Revised November 25, 2019
Revised June 18, 2021
Revised October 27, 2021
Reviewed February 13, 2023
Revised December 2, 2024
Reviewed November 10, 2025

STATEMENT OF INVESTMENT POLICY

Introduction

The primary objective of the Retirement System is to provide present and future retirement or survivor benefits for its members and to maintain contributions at or below current levels while preserving the fully funded status of the Plan.

The Board of Trustees has the fiduciary responsibility and authority to establish the Retirement System's investment program, set overall objectives, select and monitor investment managers and determine the risk exposure of the plan. The Board utilizes investment and actuarial consultants to provide expert assistance and periodically undertakes studies to evaluate the potential consequences of alternative investment strategies on the long term financial well being of the Retirement System. These guidelines are periodically reviewed and updated after the evaluation of the potential financial implications of a wide range of investment strategies over various time frames and focus on the consequences of a protracted poor market environment versus normal market behavior. Estimates of future behavior of the asset classes are made based upon Modern Portfolio Theory and the current prevailing interest rate structure. The result of these reviews has been the development of a long-term, strategic asset allocation plan.

This policy statement outlines the goals and investment objectives for the Retirement System. This document is intended to provide guidelines for managing the Retirement System's assets. The policy defines the guidelines and limitations for each asset class and for portfolios within each class. The policy addresses the following:

1. Discusses appropriate risk/return parameters for the investment of the System's assets.
2. Establishes investment guidelines regarding the selection of investment managers, permissible investments and diversification of assets.
3. Specifies the criteria for evaluating the performance of the investment managers and of the System as a whole.
4. Defines the responsibilities of the Board of Trustees and all other parties responsible for the management of the System's assets.

All objectives are based upon a five to ten year investment horizon, so interim fluctuations should be viewed with the appropriate perspective. The Board of Trustees may make changes at any time they deem appropriate.

The Board of Trustees believes that the investment policies described in this statement should be dynamic. These policies reflect the Retirement System's funding status and the Board's philosophy regarding the investment of assets. These policies will be reviewed annually and revised as required.

Responsibilities

A. Board of Trustees

The Board of Trustees acknowledges its responsibility under applicable law as a Retirement System fiduciary. In this regard, it must act prudently and for the exclusive interest of Retirement System participants and beneficiaries. More specifically, the Trustees' responsibilities include:

1. Comply with the provisions of pertinent federal, state and local laws; regulations and rulings.
2. Develop sound and consistent investment goals, objectives and performance measurement standards which are consistent with the needs of the Retirement System.
3. Evaluate and appoint qualified managers(s) to invest and manage Retirement System assets.
4. Communicate the investment goals, objectives and performance standards to the investment managers, including any material changes that may subsequently occur.

5. Determine with the advice of the investment consultant, how plan assets should be allocated among various asset classes.
6. Review and evaluate the results of the investment managers in context with established standards of performance.
7. Take whatever corrective action is deemed prudent and appropriate when the investment managers fail to perform as mutually expected, including probation or termination.
8. Engage in due diligence visits when appropriate.

The Trustees will notify the investment managers of:

1. Significant changes in the Retirement System cash flow and/or cash flow needs.
2. Any matter which bears upon the proper investment management of Retirement System assets, including pertinent financial, legal and actuarial information involving the fund.

B. Retirement Specialist

The Retirement Specialist or the Chairman's designee, in conjunction with the Chairman, oversees the Retirement Systems operations:

1. Keep the Board informed of any significant events that impact the System and may recommend changes in approved policy, guidelines and objectives.
2. Oversee the day-to-day office operations.
3. Act as the primary contact between the Board, the members, the managers, investment consultants, auditors, custodian, and any other parties involved in the management of the System's assets.
4. Duties described in this policy, applicable state and federal laws, or as delegated by the Board of Trustees.

C. Investment Consultant

The Investment Consultant assists in the investment process.

The Investment Consultant, as a fiduciary, is an advisor to the Retirement System. The role of the Investment Consultant:

1. Measure and evaluate investment performance each calendar quarter. Evaluation shall include a comparison of total fund and individual manager performance vs. relevant benchmarks and peer groups.
2. Evaluate the Retirement System's tolerance for risk.
3. Recommend appropriate investment objectives based on the System's needs and risk tolerance.
4. Determine what degree of potential market volatility should be factored in the System's investment approach.
5. Select an optimal allocation of assets and assist the Board of Trustees with respect to the Board's fulfilling of its above responsibilities.
6. Monitor the investment of Retirement System assets for compliance with Act 314 of 1965, as amended ("Act 314").
7. Gather and evaluate statistical information on the System's financial assets, investment needs, and risk parameters.
8. Analyze and understand the implications of historic capital market behavior, particularly with regard to the trade-off between total rate of return and investment risk.
9. Maintain data on the universe of available professional investment managers, and categorize (as to investment style and discipline) and evaluate the qualifications of the individual

management firms.

10. Make specific and timely recommendations for the consideration of the Board of Trustees during each phase of the investment management process.

Investment Policy

The Investment Consultant should recommend an appropriate investment policy that will meet the Retirement System's needs. This includes establishing investment objectives and guidelines that adhere to the System's goals and tolerance for risk. The Investment Consultant should also provide an appropriate model of asset allocation composed of equity, fixed income, or money market instruments designed to meet the established objectives. Alternative investments may be considered by the board.

Manager Selection

The Investment Consultant should recommend the best qualified and most appropriate investment managers as candidates for implementing the System's established investment policy. The Investment Consultant should utilize a well-established, proprietary system to select suitable investment manager candidates from both a local and national investment manager database.

Performance Measurement

Once a relationship has been formed between the Retirement System and the investment manager or managers, the Investment Consultant should provide the System with performance reports and ongoing quality control to assure that the client's standards and investment objectives are maintained.

D. Investment Manager(s)

Each Investment Manager, as a fiduciary, will have full discretion to make all investment decisions for the assets placed under its control, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement.

1. Adhere to policy guidelines and objectives: The assets of the Retirement System are to be managed in accordance with the policy guidelines and objectives expressed herein or expressed in a separate written agreement when deviation is deemed prudent and desirable. Assets shall be invested in strict compliance with state law (Act 314). Each Investment Manager shall manage its individual portfolio in compliance with Act 314.

2. Discretionary authority: The Investment Manager is expected to exercise complete investment discretion. Such discretion includes decisions to buy, hold and sell equities or fixed income securities (including cash equivalents) in amounts and proportions reflective of the manager's current investment strategy and compatible with the Board's guidelines.

3. Communicate: The Investment Manager is responsible for communicating with the Board regarding all significant matters pertaining to the investment of the Retirement System's assets. Keep the Board apprised of substantive changes in investment strategy, asset mix, portfolio structure, and market value of the Retirement System's assets. The Investment Manager will meet with the Board on an annual basis or as needed, to review the portfolio, performance – gross and net, fees, and the investment outlook.

4. Report: The Investment Managers are expected to provide periodic reports to the Board as required.

E. Custodian

For the Retirement System, the custodian shall:

1. Provide adequate safekeeping services.

2. Settle securities transactions on time.
3. Collect trust fund income when due.
4. Provide adequate accounting services.
5. Prepare useful, accurate, and timely investment reports.
6. Provide adequate cash-management services.
7. Provide adequate administrative support.
8. Develop and maintain adequate data processing capabilities.
9. Handle proxy administration promptly and accurately.
10. Make available an annual statement of all expenses of the Retirement System which are paid by soft dollars as defined sec. 12e (3) of Act 314.
11. Perform other duties as deemed necessary by the Retirement Board.

F. Actuary

For the Retirement System the actuary shall:

1. Perform annual actuarial valuations to determine liability and funding requirements for the System.
2. Monitor the funding progress of the System.
3. Make appropriate recommendations regarding actuarial assumptions on a periodic basis.
4. Perform special projects as mutually agreed.
5. Provide any and all reports to the Retirement System.

ASSET ALLOCATION

Based on the analysis of Retirement System assets and liabilities, and expected invested returns and risks associated with alternative asset mix strategies, the Board adopted the following asset class parameters:

Portfolio Allocations	Minimum*	Target	Maximum*
Total Global Equity	**45.00%**	**60.00%**	**70.00%**
Total Domestic Equity	**32.00%**	**42.00%**	**52.00%**
Large Cap	20.00%	25.00%	30.00%
Small / Mid Cap	12.00%	17.00%	22.00%
Total International Equity	**13.00%**	**18.00%**	**23.00%**
Developed	8.00%	13.00%	18.00%
Emerging Market	2.50%	5.00%	7.50%
Total Fixed Income	**16.00%**	**29.00%**	**43.50%**
Core	16.00%	21.00%	26.00%
High Yield	0.00%	3.00%	5.00%
Direct Lending+	0.00%	5.00%	7.50%
Cash	**0.00%**	**1.00%**	**5.00%**
Total Real Estate+	**5.00%**	**10.00%**	**15.00%**
Core	0.00%	2.50%	5.00%
Value Add	0.00%	7.50%	10.00%
Total Alternatives	**0.00%**	**0.00%**	**10.00%**
Hedge Funds	0.00%	0.00%	7.50%
Private Equity	0.00%	0.00%	5.00%

+ The unallocated or uncalled portion of the target allocation to Real Estate and Direct Lending will be allocated to U.S. Fixed Income. This will increase the target allocation (and range) to U.S. Fixed Income by the difference between the dollar amount actually invested in Real Estate and Direct Lending and the target allocation amount.

*Not intended to total 100%; the minimum and maximum amount for each asset class is independently determined. Publicly traded REITs shall be considered Global Equity. ADRs will not be considered foreign equity.

The asset allocation ranges established by this investment policy represent a long-term perspective. As such, rapid, unanticipated market shifts may cause the asset mix to fall outside the policy range. Any divergence should be of a short-term nature. It is the Board's responsibility to ensure that any such divergence is as brief as possible. Cash flows, when available, will ideally be used to bring each asset class to its target position. If the available cash is not sufficient to accomplish this, the goal of cash flow deployment will be to bring each asset class as close to its target position as possible, as long as each asset class is within its acceptable range. Should asset class exposure exceed the acceptable ranges, assets will be moved from the over-allocated class to the under-allocated class. At a minimum, annual rebalancing will occur after fiscal year end. The Board may elect to rebalance each asset holding to the midpoint between the target and the threshold for rebalancing.

Should an investment manager wish to exceed the guidelines limits, special prior approvals by the Board of Trustees will be needed. For special situations, the Board of Trustees can grant special exemptions from the guidelines. In no case can a manager actively exceed guideline limits without formal prior approval by the Board or exceed statutory maximum limits.

Rule Applicable in the Event of Conflict among Investment Policies and P.A. 314.

These Investment Policies shall include all the investment guidelines and restrictions as set forth in Act 314. In event of conflict among the Investment policies and Act 314, the most restrictive rule applicable to the particular issue will control. For example (and not by way of limitation), Act 314 would permit investment in more kinds of derivatives than are permitted under these Investment policies; the terms of these Investment Policies would therefore apply, and would restrict investments in derivatives.

Diversification

Investment of the fund shall be as diversified as necessary to protect principal and minimizing the risk of losses. Consequently, the total portfolio will be constructed by the individual fund managers, whether in an advisory or discretionary capacity, to attain prudent diversification in equity and fixed income.

Volatility

Consistent with the desire for adequate diversification, the investment policy is based on the assumption that the volatility of the asset categories should not differ significantly from their respective markets. Consequently, it is expected that the volatility of the total portfolio, in aggregate, will be reasonably close to the volatility of the commitment-weighted composite of market indices. On a short-term basis, volatility will be measured by equity managers utilizing a beta measurement in the equity portfolios. Over a full market cycle, volatility as measured by Beta should not be greater than 1.20 without the consent of the Trustees.

Liquidity

At least semi-annually, the Trustees will review cash requirements, by month, for payment of pension benefits, based on estimates provided by the County, or its agencies. If the County's forecast requires greater liquidity than may be anticipated from the receipt of monthly contributions, the Board may draw upon the assets held by the investment managers.

When withdrawing assets from managers, the Board shall first withdraw funds from the manager or asset class which is overweight relative to the asset allocation targets defined in this document. If no individual manager or asset class is out of compliance, the required funds will be withdrawn from the fixed income segment, unless this has a disproportionate impact on the asset allocation, in which case proportionality will be utilized.

Whenever possible, managers shall be given advance notice prior to fund withdrawals to facilitate efficient investment practices in making assets available.

Investment Limitations

The following investments and trading strategies are not permitted except as permitted in writing by the Board (e.g., alternative investments):

1. Offshore
2. Letter, legend or restricted stock
3. Options, warrants and rights
4. Short sales
5. Margin trades
6. Derivatives

STATEMENT OF OBJECTIVES

The primary objectives of the Retirement System are as follows:

1. Maintain a Prudent Investment Program.

Assets of this fund shall be invested in a manner generally consistent with the State of Michigan Constitution and Public Act No. 314 of 1965, as amended, and any other applicable law, namely (1) in accordance with the safeguards and diversity to which a prudent investor would adhere, and (2) all transactions undertaken on behalf of the Fund must be for the sole interest of Plan participants and their beneficiaries in order to provide benefits and pay the expenses of the Fund. The pension investment program must operate in compliance with all applicable State and Federal laws and regulations concerning the investment of Retirement System assets.

2. Preserve the Well-Funded Status of the Plan While Maintaining Sufficient Contributions.

The chosen asset allocation policy will achieve this objective by earning a rate of return that is sufficiently high to permit payment of benefits at current or higher levels, contributions at a level to ensure adequate benefits and payment towards any unfunded accrued liability, and a fully funded Retirement System. Under the chosen policy, the projected secured benefits liability is expected to be better funded ten years from now as it is today.

Financial objectives of the Retirement System have been established in connection with a comprehensive review of the current and projected financial requirements of the Plan. While there cannot be complete assurance that the defined objectives will be realized, it is believed that the likelihood of their realization is reasonably high, based on the investment policy of the Plan.

All objectives are based on an investment horizon spanning five (5) years so that interim market fluctuations may be viewed with appropriate perspective.

The Board of Trustees believes that the asset allocation ranges specified in the policy statement will achieve the System's stated objectives. The Board realizes that market performance varies from period to period. Accordingly, relative performance benchmarks for the manager are set forth in the following Control Procedures.

CONTROL PROCEDURES

Review of Liabilities

All major liability assumptions regarding workforce, salary, benefit levels and actuarial assumptions will be subject to, at a minimum, an annual review. This review will focus on an analysis of major differences between the Retirement System's assumptions and actual experience.

Review of Investment Objectives

The achievement of investment objectives will be reviewed at least annually. This review will focus on the continued feasibility of achieving the objectives and the continued appropriateness of the investment policy. It is not expected that the investment policy will change frequently; in particular, short term changes in the financial markets should generally not require an adjustment in the investment policy.

Review of Investment Manager(s)

Each manager shall be given the responsibility to immediately advise the Board of Trustees of any material change in personnel, investment strategy, or other pertinent information potentially affecting performance.

The Board of Trustees, with the assistance of its Investment Consultant, will review results of all managers at least quarterly. These reviews will focus on:

1. Each manager's adherence to policy guidelines;
2. Comparisons of manager results versus fund using similar policies (in terms of the stock/bond ratio, diversification, volatility, style, etc.);
3. Opportunities available in various asset classes; and
4. Material changes in each manager's organization, such as philosophical and personnel changes and acquisitions or losses of major accounts.

The Board of Trustees may meet periodically with each Investment Manager.

Performance Expectations

The most important performance expectation is the achievement of investment results, which are consistent with the Retirement System's Investment Policy Statement. A long-term average annual real return exceeding 7.0% is a reasonable return expectation in light of this policy. Implementation of the policy will be directed toward achieving this return, and not toward maximizing return without regard to risk.

The Board of Trustees recognizes that this return objective may not be meaningful during some time periods. In order to ensure that investment opportunities are fairly evaluated, the Board of Trustees will use comparative performance statistics to evaluate investment results. The Board of Trustees expects the Total Fund to perform in the upper half of a comparable fund universe. Individual managers are expected to perform in the top 50th percentile of their peer groups. This performance should be achieved over an entire market cycle, but short- run results will also be monitored. Performance of the fund will also be compared to a blended index representing a similar policy

MANAGER GUIDELINES AND OBJECTIVES

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Board of Trustees for review. The investment performance of total portfolios, as well as asset class components, will be measured against a previously accepted performance benchmark. Consideration shall be given to the extent to which the investment results are consistent with the Investment Policies. The Board of Trustees intends to evaluate the portfolio(s) over at least a two year period, but reserves the right to terminate an Investment Manager for any reason including, without limitation, the objectives outlined within this document.

Underperforming Investment Manager Policy

The following analyses shall be made with respect to under-performing managers:

1. Three (3) out of Four (4) consecutive quarters of relative under-performance versus the benchmark.
2. Three (3) year trailing return below the top 50th percentile within the appropriate peer group and under-performance versus the benchmark.
3. Five (5) year trailing return below the top 50th percentile and under-performance versus the

benchmark.
4. Three (3) year downside volatility greater than the index (greater than 100), as measured by down market capture ratio.
5. Five (5) year downside volatility greater than the index (greater than 100), as measured by down market capture ratio.
6. Investigation of the firm by the Securities and Exchange Commission (SEC).
7. Merger or sale of firm
8. Qualitative changes included but not limited to style consistency, purity drift from the mandate, Management turnover in portfolio team or senior management, investment process change, variation of the index or benchmark, failure to adhere to the IPS or Public Act 314, or significant asset flows into or out of the company.
9. Fee increases without the prior written consent of the Retirement Commission.

Failure to meet 3 of the listed criteria will result in placement on a watch list.

The Investment Consultant will review the investment manager on a calendar quarter basis, and will be issued a pass/fail grade based upon the above criteria.

This policy is not meant to supersede any other causes for termination disclosed in the investment policy statement or investment management agreement executed between the Plan and the investment manager.

The enforcement of any or all options for this policy, including but not limited to any deviation, amendment or alteration, regardless of time or reason; is the sole and exclusive prerogative of the Retirement Board.

Proxy Voting

Unless otherwise notified, the investment managers shall have the authority to "vote" on all issues presented to stockholders. It is expected that managers will vote for the sole purpose of benefiting the participants, retirees and beneficiaries of the System. A summary of votes cast shall be submitted to the Board on a quarterly basis. Voting by proxies must conform with Section 13a of Act 314, as amended.

Adopted by the Board of Trustees for the Monroe County Employees' Retirement System as amended:

Adopted April 25, 2005	
Reviewed November 27, 2006	
Reviewed November 26, 2007	
Reviewed February 23, 2009	
Reviewed November 23, 2009	
Reviewed November 22, 2010	
Reviewed August 27, 2012	
Reviewed August 26, 2013	
Revised August 24, 2015	
Revised December 11, 2017	(Amended Consultant Responsibilities, Asset Allocation table, diversification limits, Statement of Objectives, Performance Expectations, deleted Directed Brokerage Policy
Revised November 27, 2018	(Amended Underperforming Investment Manager Policy)
Revised November 25, 2019	(Asset Allocation Table)
Revised June 18, 2021	(Asset Allocation Table, 5% diversification limit)
Revised October 27, 2021	(Asset Allocation Table)
Reviewed February 13, 2023	No changes.
Revised December 2, 2024	(Asset Allocation Table)
Reviewed November 10, 2025	No changes.