SERS Valuation Procedures

The valuation of public equity and fixed income accounts that are custodied by BNY Mellon is based on readily available market prices for each security held by SERS. A reconciliation between BNY Mellon and the investment managers is performed on a monthly basis and provided to OFA.

For private equity funds, valuation policies are developed by the General Partners (GP) and must be in compliance with Accounting Standards Codification Topic 820 (ASC 820) “*Fair Value Measurements and Disclosures”* for domestic partnerships; foreign partnerships follow similar valuation methods. The policy includes the process for determining quarterly values of the fund. Any changes in the valuation methodology are communicated to the advisory board and/or the limited partners. Limited Partnership Agreements for Private Equity and Real Estate investments articulate SERS’ rights and protections as a limited partner in these commingled funds. Annually, StepStone reviews the audited financial statements (AFS) for confirmation that the fair value of portfolio investments is in accordance with ASC 820 and documents its review in a memo. The investment office personnel reviews this report for exceptions and to determine if additional follow-up is needed.

Investments within the separate account real estate portfolios receive third-party appraisals once every three years at a minimum and managers adjust the valuation in accordance with valuation policies. In between third-party appraisals, managers value the investments on a quarterly basis using internal valuation policies that are based on industry-standard practices. Valuations are reported to SERS using the quarterly capital account statements and consultant reports.

Investments within commingled real estate funds are valued using procedures developed by the GP/Investment Manager and specified in the fund documents, which may or may not include third-party property appraisals (investments are a step removed). SERS does not receive copies of any appraisals for investments within these funds since SERS is a Limited Partner. Valuations are reported to SERS using quarterly reports, capital account statements, and consultant valuation reports.