

# **JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM**

A Policy Committee meeting of the Jackson County Employees' Retirement System Board of Trustees is scheduled as follows:

**Thursday, May 26, 2016**  
**Immediately Following the**  
**Jackson County Employees'**  
**Retirement System Meeting**  
**5<sup>th</sup> Floor**  
County Tower Building

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## **POLICY MEETING AGENDA**

1. Approval of Agenda
2. Public Comment
3. Minutes – Policy Committee
  - A. May 5, 2016
4. Review Board Policy #3; Advisor & Consultant Reviews
5. Review Board Policy #17; Elections Procedures
6. Review Board Policy #21; Supplemental Actuarial Valuation
7. Review Board Policy #36; Statement of Investment Objectives, Policies and Guidelines
8. Discuss the schedule for Advisor and Consultant Reviews
  - a. RFI – Investment Consulting Services
  - b. RFI – Legal Services
9. Continue reviewing Board Policies

**POLICY COMMITTEE MINUTES OF  
JACKSON COUNTY EMPLOYEES' RETIREMENT SYTEM**

Thursday, May 05, 2016  
Tower Building 5th Floor

The 05/05/2016 Policy Committee Meeting of the Jackson County Employee's Retirement System Board of Trustees was called to order at 10:13 a.m. by Chairman Wandell. Trustees present: Elwell, Maurer and Wandell. Absent: None. Also in attendance: Debby Gorz, Pension Coordinator; Stephanie Drumhiller, Assistant Pension Coordinator; and Jack Timmony VanOverbeke Michaud and Timmony.

**MOTION:** Moved by Elwell, supported by Maurer to approve the Agenda.  
Motion carried.

**Public Comments:** None

**MOTION:** Moved by Maurer, supported by Elwell, to receive minutes of March 24, 2016 as presented. Motion carried.

**MOTION:** Moved by Maurer, supported by Elwell, to send Policy #1 – Purchase of Military Service Credit to full Board contingent on legal counsel review. Motion carried.

**MOTION:** Motion by Elwell, supported by Maurer to send Policy #25 –Securities Litigation to full Board, no changes. Motion carried.

**MOTION:** Motion by Maurer, supported by Elwell to send Policy #26 – Notice to Recipients of Lump Sum Distributions from the Retirement System to full Board, no changes. Motion carried.

The following Policy Resolutions will be reviewed at the May 26, 2016 Committee Meeting:

- # 3 – Advisory and Consultant Reviews
  - # 17 – Elections Procedures
  - # 21 – PA 728 Supplemental Actuarial Valuation
  - # 36 – Statement of Investment Objectives, Policies and Guidelines
- Discuss Investment advisor and legal counsel

**MOTION:** Moved by Elwell, supported by Maurer, to adjourn. Motion carried.

Meeting adjourned at 10:39 a.m.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Assistant Pension Coordinator

**JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM  
POLICY RESOLUTION**

**Re: Advisor and Consultant Reviews (Amended)**

**Adopted: February 26, 2009**

**Amended: April 23, 2015**

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**WHEREAS**, the Retirement Board of Trustees ("Board") is vested with the general administration, management and operation of the Retirement System and for making effective the provisions thereof, and

**WHEREAS**, in carrying out the administration, management and operation of the Retirement System, the Board retains certain advisors and consultants, and

**WHEREAS**, the Board deems it prudent to periodically review the costs and services offered by each of its advisors, and

**WHEREAS**, the Board further deems it prudent to periodically compare the costs and services offered by each of its advisors to those of other comparable advisors and consultants not retained by the Board, and

**WHEREAS**, the Board recognizes that by reviewing, analyzing, and comparing both existing and prospective advisors by methods including, but not limited to, comparing formal proposals, assessing the effectiveness of returns, determining levels of service, prior performance, market conditions, and the like, the Board may best carry out its advisor review function, and

**WHEREAS**, the Board desires to formalize its advisor review procedures by developing a regular review schedule so that at least one advisor is reviewed annually, now therefore be it

**RESOLVED**, that the Board of Trustees shall annually undertake to review the costs and services offered by advisors, and further

**RESOLVED**, that the Retirement System's investment consultant shall monitor the performance, services and costs of the Retirement System's investment managers and provide periodic reports to the Board, and further

**RESOLVED**, that consistent with the foregoing, the Board shall undertake periodic advisor reviews and that such reviews shall be conducted by use of a Request for Information ("RFI"), Request for Proposal ("RFP"), or such other method as the Board deems appropriate, and shall include, but not be limited to: (1) actuary; (2) attorney; (3) custodial bank; (4) investment consultant; and (5) medical director, and further

**RESOLVED**, that in the event that the Board has, for reasons other than the regularly scheduled review, recently reviewed the services of an advisor that is scheduled for regular review, the Board may, in its sole discretion, forego the review of a particular advisor until the next regularly scheduled review, or alternatively may modify the foregoing order in which the reviews are completed, and further

**RESOLVED**, that in addition to regularly scheduled reviews, the Board, in its sole discretion, may at any time undertake to complete an immediate review of any advisor, and further

**RESOLVED**, that a copy of this Resolution be posted on the Jackson County Employees' Retirement System webpage in the normal manner.

**JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM  
P O L I C Y R E S O L U T I O N**

**Revised: October 24, 2013  
Adopted: February 28, 2008**

**Re: Elections Procedures**

**WHEREAS**, the Board of Trustees is vested with the general administration, management and operation of the Retirement System and for making effective the provisions thereof, and

**WHEREAS**, the Board of Trustees has fiduciary duties to the members and beneficiaries of the Retirement System and shall discharge these duties solely in their interests for the exclusive purposes of providing benefits and defraying reasonable expenses, and

**WHEREAS**, the Retirement System Bylaws provide for certain Trustees to be elected, and the Board, in furtherance of the Bylaws, desires to establish these Election Procedures, therefore it is

**RESOLVED**, that the following represents the Board's policy concerning Election Procedures.

**I. Procedure for Elections of Members of the Board of Trustees**

**A. Candidate Eligibility and Nominating Petitions**

1. All Members of the Jackson County Employees' Retirement System are eligible to become candidates, except as set forth below.
2. A Member employed in any County department in which a current elected Trustees is employed, other than an elected Trustee whose position is up for election, is not eligible to become a candidate.
3. A Member's nominating petition must be signed by at least 10 Members, but not more than 30, for the Member to qualify as a candidate.
4. All Members are eligible to sign nominating petitions.
5. A Member may not sign a nominating petition for more than one candidate for the same office.
6. Petitions shall be made available at the Pension Coordinator's office at least 30 calendar days before the deadline for the filing of petitions.
7. Nominating petitions shall be filed at the Pension Coordinator's office no later than 14 calendar days before the ballots are distributed.
8. A candidate shall have three calendar days after the deadline for filing petitions to file a written notice in the Pension Coordinator's office to withdraw his/her name from nomination.
9. If only one Member qualifies as a candidate for the Trustee position up for election, then that candidate shall be declared elected to the position and no election shall be held.

**B. Poll List**

1. Fourteen calendar days prior to the distribution of ballots, the Pension Coordinator shall compile a list of Members eligible to vote.

2. The Pension Coordinator shall use the Poll List as follows:
  - a. To determine the membership status of candidates for election.
  - b. To verify the membership status of individuals signing a petition.
  - c. For placement of the names of Members eligible to vote on outside envelopes.

C. Voter Eligibility

1. All Members having at least 14 calendar days membership in the System, prior to the election deadline for ballot distribution are eligible to vote.
2. The Pension Coordinator shall be responsible for the preparation of all ballots and envelopes as provided in this section.
3. An election ballot shall consist of the names of candidates and voting directions. Candidates names shall be arranged in rotating order (for example, if there are three candidates, three separate ballot forms will be used listing the candidate names in the following order: 1-2-3, 2-3-1, and 3-1-2)
4. A dual envelope system shall be used for distributing and casting ballots. The envelope that the ballot is placed in is designated the "inside envelope." The front of the inside envelope shall be marked "FOR BALLOT ONLY".
5. The envelope that the inside envelope (with ballot) is placed in is designated the "outside envelope".
6. The outside envelope shall have a label designating the poll location and the name of the Member eligible to vote on the ballot.
7. The front of the outside envelope shall have a signature line for the name of the Member eligible to vote.
8. The following statement shall appear on the outside envelope:

**TO BE COMPLETED BY VOTER**

The undersigned asserts that she or he is a Member of the Jackson County Employees' Retirement System and the ballot was marked by her or him personally and enclosed in the envelope labeled "FOR BALLOT ONLY", which is enclosed in this envelope.

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Signature of Voter

**YOU MUST SIGN YOUR NAME ABOVE OR YOUR VOTE WILL NOT BE COUNTED.**

D. Distribution and Casting of Ballots

1. The Pension Coordinator shall distribute the envelopes with ballots to each Department by delivering same to the Department Head, Elected Official, or their designee.
2. Ballots shall be made available for release to Members at their Department one week before the ballot collection deadline.
3. Ballots shall be distributed to each department. The Department Heads, Elected Officials, or their Designee shall verify that the person to whom the ballot is released is in fact the Member whose name is on the outside envelope.
4. The ballot instructions shall provide that:
  - a. Completed ballots are to be placed in the inside envelope.
  - b. The inside envelope is to be sealed and placed in the outside envelope.
  - c. The outside envelope is to be sealed.
  - d. The outside envelope must be signed by the Member whose name is on the envelope in order for the ballot to be counted.
5. Members may turn in their completed ballots at any polling location after the ballots have been released to them prior to the ballot collection deadline.
6. Members shall place their ballots in a secure container designated as a ballot box at a polling place.
7. A Member shall not receive or cast more than one ballot.

E. Collection and Verification

1. Ballots shall be collected from the polling locations by the Pension Coordinator two business days prior to the date the ballots will be counted.
2. No later than the day following the collection of the ballots, the Pension Coordinator shall:
  - a. Tally the number of people that voted at each polling location.
  - b. Confirm that each outside envelope has the signature of the Member whose name appears on the envelope and note the name of each Member who cast a vote on the Poll List. Failure of any Member to sign his/her outside ballot envelope shall constitute a spoiled ballot that will not be counted.
  - c. Once confirmation is made, the Pension Coordinator shall open all valid outside envelopes in the presence of a non-Member of the Retirement System.
  - d. Outside envelopes shall be separated from the inside envelopes and all envelopes shall be placed into a locked container.
  - e. The container shall be opened at the scheduled meeting of the Retirement Board to count and tally the ballots.

F. Validity

1. Invalid / spoiled ballots shall include, but not be limited to:
  - a. Ballots that are in unsigned outside envelopes.
  - b. Envelopes that contain more than one ballot.
  - c. More than one envelope turned in by a Member (ballots not cast in the Pension Coordinator's office are spoiled).
  - d. Unmarked Ballots.
  - e. Ballots with write-in votes.
  - f. More than one vote on a ballot.
  - g. Any ballot cast by a non-Member of the Retirement System.
2. In the event of a lost ballot, the Member shall contact the Pension Coordinator. The Pension Coordinator shall prepare a second set of envelopes and ballot for the Member, and the Member shall cast his/her vote in the Office of Pension Coordinator, seal the envelopes, and leave it with the Pension Coordinator. Should the lost envelope(s) be subsequently turned in as a marked ballot, the ballot not cast in the Pension Coordinator's office will be spoiled and not counted.

G. Canvassing the Vote

1. The Board of Trustees shall meet at the scheduled time for the purpose of counting the ballots, canvassing the vote, and declaring the Election of the candidate. The candidate receiving the greatest number of votes shall be declared elected to the vacant or expiring Trustee position.
  - a. Ballots shall be counted by a minimum of two trustees.
2. In the event of a tie vote, the candidates shall cast lots to determine who shall be declared elected.

H. Election Dates

1. **Other than for an election to fill a vacancy**, the dates pertaining to an election shall be adopted by resolution of the Board of Trustees at least 30 calendar days prior to the date candidate petitions will be made available to candidates.
2. **For an election to fill a vacancy**, the dates pertaining to an election shall be adopted by resolution of the Board of Trustees on a date determined by the Board.
3. **Other than for an election to fill a vacancy**, the date of the Board of Trustees' meeting for the purpose of counting the ballots, canvassing the vote, and declaring the Election of a candidate shall take place at least 30 calendar days prior to the first day of the regular term of office of the Trustee position up for election.
4. **For an election to fill a vacancy**, the Board of Trustees' meeting for the purpose of counting the ballots, canvassing the vote, and declaring the Election of a candidate shall take place on a date determined by the Board.

I. Questions, Disputes

Any questions or disputes arising out of the election process or these rules shall be determined by the Board of Trustees.

and it is further

**RESOLVED**, that a copy of this Resolution be posted on the Jackson County Employees' Retirement System webpage in the normal manner.



**JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM****P O L I C Y   R E S O L U T I O N****Re: PA 728 Supplemental Actuarial Valuation****Adopted: January 24, 2013**

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**WHEREAS**, the Board of Trustees of the Jackson County Employees' Retirement System is vested with the fiduciary responsibility for the proper administration, management, and operation of the Retirement System, and for making effective the Retirement System provisions, and

**WHEREAS**, Public Act 728 of 2002 ("PA 728"), amends the Public Employee Retirement System Investment Act (Public Act 314 of 1965, as amended), MCL §38.1132 et seq., to require that a supplemental actuarial analysis of ANY proposed pension benefit change(s) be performed for all State and local government retirement systems prior to adoption or implementation of such pension benefit change(s), and

**WHEREAS**, a supplemental actuarial analysis must be provided to the Board of Trustees and the decision-making body that approves the proposed benefit change at least seven (7) days BEFORE the proposed benefit change is adopted, and

**WHEREAS**, a "proposed benefit change" includes a benefit change proposed through collective bargaining, Act 312 Arbitration, or Ordinance Amendment, and also includes a change in benefits for an individual employee or a group of employees, and

**WHEREAS**, a "benefit change" is not limited to an increase in benefits or a new benefit, but also includes a reduction in benefits, and further the benefit change is not contingent on the actuarial cost of the change; that is, certain benefit changes may result in no additional costs being incurred by the County or the Retirement System, but a supplemental analysis by the Retirement System's actuary is still required, and

**WHEREAS**, the Retirement System's actuary must conduct the supplemental actuarial analysis, and the supplemental analysis must include an analysis of the long-term costs associated with the proposed benefit change(s), and

**WHEREAS**, there have arisen issues concerning, among others for example, whether a PA 728 supplemental actuarial analysis was required, whether "proposed benefit change" means a benefit increase or decrease, whether certain pension benefits may be administered/granted in the absence of a PA 728 supplemental actuarial analysis, and who the appropriate actuary entity charged with the responsibility for preparing the PA 728 analysis is, the entity responsible for the payment of costs associated with the preparation of a supplemental actuarial analysis, etc., and

**WHEREAS**, the Board of Trustees is desirous of stating its policy with regard to the requirements of PA 728 that must be met in the event of **ANY** proposed pension benefit change(s), therefore be it

**RESOLVED**, that the Board of Trustees adopts the following policy with regard to the preparation and presentation of a supplemental actuarial analysis under PA 728:

## **Jackson County Employees' Retirement System PA 728 Supplemental Actuarial Analysis**

### **Purpose**

To comply with the amendment to Public Act 314 of 1965, known as Public Act 728 of 2002 ("PA 728") MCL §38.1140h et seq., that requires a supplemental actuarial analysis of **ANY** proposed pension benefit change(s).

### **Policy**

The Public Employee Retirement System Investment Act (Public Act 314 of 1965, as amended), MCL §38.1132 et seq., establishes fiduciary responsibilities for the proper administration, management, and operation the of the Jackson County Employees' Retirement System ("JCERS"). Amongst the responsibilities the statute imposes upon the Jackson County Employees' Retirement System Board of Trustees is the requirement of an annual actuarial valuation report and, as a result of PA 728, a supplemental actuarial analysis is required before adoption of pension benefit changes. Because JCERS does **not** establish or change pension benefits for its members, but is instead required to administer the pension benefits that the County employer and the affected County employees negotiate and agree upon, it is necessary to establish a definitive policy to assure compliance with PA 728.

PA 728 clearly states that: "The actuarial analysis shall be provided to the board of the particular system and to the decision-making body that will approve the proposed benefit change at least 7 days before the proposed pension change is adopted". Therefore, the JCERS Board of Trustees will **not** authorize implementation of any proposed pension benefit change for which this statutorily-required procedure has not been performed.

### **Pertinent Portion of Statute**

The Public Employee Retirement System Investment Act (Public Act 314 of 1965), as amended by Public Act 728 of 2020, MCL §38.1140(3) reads:

"A system shall provide a supplemental actuarial analysis before adoption of pension benefits changes. The supplemental actuarial analysis shall be provided by the system's actuary and shall include an analysis of the long-term costs associated with any proposed pension change. The supplemental actuarial analysis shall be provided to the board of the particular system and to the decision-making body that will approve the proposed pension benefit change at least 7 days before the proposed pension benefit change is adopted. For the purposes of this subsection, "proposed pension benefit change" means a proposal to change the amount of pension benefits received by persons entitled to pension benefits under the system. A proposed pension benefit change does not include a proposed change to a health care plan of health benefits."

### **Requests for Supplemental Actuarial Analysis**

Pension benefit changes are usually the product of the collective bargaining process pursuant to the Michigan Public Employees Relations Act ("PERA").

The employer of the employees of a specific retirement plan benefit group, or the recognized employee bargaining representatives of bargaining unit, will request a supplemental actuarial analysis subject to the following:

1. The request is made in writing to JCERS and pledges to reimburse JCERS for all expenses JCERS may incur for its actuary to perform the supplemental actuarial analysis;
2. The request acknowledges the mandates of Public Act 314 of 1965 as amended by Public Act 728 of 2002 and this policy;
3. The request includes sufficient information with which the actuary may perform such a supplemental actuarial analysis; and,
4. The request includes any other pertinent information to assist JCERS and the actuary in conducting the supplemental actuarial analysis.

### **JCERS Involvement in the Supplemental Actuarial Analysis**

Upon receipt of an acceptable request for a supplemental actuarial analysis as provided above, the Pension Coordinator will notify the Board of Trustees at or before its next regular meeting and will transmit the request to the Retirement System's contractual actuary authorizing the actuary to perform the analysis within the parameters of the request. The Pension Coordinator shall assist the requesting party and the actuary by, for example, clarifying the request and providing necessary available information to the actuary.

### **JCERS Board of Trustee Involvement**

Upon receipt of the PA 728 supplemental benefit analysis the JCERS Board of Trustees will "receive and file" the analysis at its next scheduled meeting, noting the date the analysis was received.

### **Review and Modification**

- a. The Policy Committee shall review and propose any needed modifications to this Policy at its first meeting of every calendar year.
- b. The requirement of a periodic review contained in paragraph "a" above is not intended as a limitation on the Board's ability to modify this Policy at any other time the Board deems appropriate.

### **Exceptions**

None

### **Effective Date**

This policy shall take effect immediately upon its adoption by the Board of Trustees.

and be it further

**RESOLVED**, that a copy of this Resolution be posted on the Jackson County Employees' Retirement System webpage in the normal manner.

**JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM  
P O L I C Y R E S O L U T I O N**

**Re: Statement of Investment Objectives, Policies and Guidelines**

**Adopted:** \_\_\_\_\_

**1. PURPOSE:**

The Jackson County Employees' Retirement System is maintained to provide retirement and/or death benefits, as the case may be to the plan participants in accordance with the retirement plan implemented by the Board of Trustees. (Hereinafter Trustees)

This statement of investment policies and objectives is set forth in order that:

1. There is a clear understanding on the part of the Trustees and plan participants of the investment policies and objectives of the Jackson County Employees' Retirement System.
2. The investment managers appointed by the Trustees are given guidance and limitations, and understand what is expected of them.
3. The Trustees have a basis for evaluation of the investment performance of the Trust and individual investment managers.

It is the intent of this statement to establish a sense of direction and/or philosophy which will guide the investment managers toward the performance desired. It is intended that the objectives be sufficiently specific to be meaningful, but sufficiently flexible to be practical.

**2. LEGAL AUTHORITIES:**

The Trustees are authorized by Section 12.a of Act 156 of The Michigan Public Acts of 1851, as amended, and Act 314 of the Michigan Public Acts of 1965, as amended, and permitted by Section 31 of The Jackson County Employees' Retirement System Bylaws, to engage the services of investment managers who possess the necessary specialized research facilities and skilled manpower to meet these investment objectives and guidelines. Accordingly, the Trustees require the investment managers to adhere to the "prudent person rule" under such federal or state laws as now apply, or may in the future apply, to investment of the trust.

Unless more restrictive standards are established herein, all investments shall conform to the limits and standards set forth in Act 314 of The Michigan Public Acts of 1965, as amended, this being the Michigan Statute governing the investments of public pension funds.

Any investment Manager responsible for assets of this plan shall bear a fiduciary responsibility as set forth in Act 314 of The Michigan Public Acts of 1965, as amended, and shall act solely in the interest of the participants and beneficiaries of the plan.

**3. ASSIGNMENT OF RESPONSIBILITY**

### **Responsibility of the Board of Trustees of the Jackson County Employees' Retirement System**

The Board of Trustees is charged by law with the responsibility for the management of the assets of the Plan. The Board of Trustees shall discharge its duties solely in the interest of the Plan, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Board of Trustees relating to the investment management of Plan assets include:

- A. Adhering to the guidelines as defined in Act 314 of The Michigan Public Acts of 1965, as amended, and all other applicable regulations.
- B. Projecting the Plan's financial needs, and communicating such needs to the Investment Managers on a timely basis.
- C. Determining the Plan's risk tolerance and investment horizon, and communicating these to the appropriate parties.
- D. Establishing reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Plan's assets.
- E. Prudently and diligently selecting qualified professionals, including Investment Manager(s), Investment Consultant(s), Legal Counsel, Actuaries and Custodian(s).
- F. Regularly evaluating the performance of the Investment Manager(s) to assure adherence to policy guidelines and monitor investment objective progress.
- G. Developing and enacting proper control procedures: For example, replacing Investment Manager(s) due to fundamental change in investment management process, or failure to comply with established guidelines.

### **Responsibility of the Investment Manager(s)**

Each Investment Manager must acknowledge in writing its acceptance of responsibility as a fiduciary under Act 314 of The Michigan Public Acts of 1965, as amended, and other applicable regulations. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:

- A. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
- B. Reporting, on a timely basis, quarterly investment performance results.
- B. Communicating any major changes to the economic outlook, investment strategy, or any other factors, which affect implementation of the investment process, or progress toward meeting the Plan's investment management objectives.

Page 3 of 22  
Statement of Investment Objectives, Policies and Guidelines

- D. Informing the Board of Trustees regarding any qualitative change to the investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
- E. Voting proxies, unless otherwise directed by the Board of Trustees, on behalf of the Plan, and communicating such voting records to the Board of Trustees on a timely basis.

### **Responsibility of the Investment Consultant(s)**

The Investment Consultant's role is that of a non-discretionary advisor to the Board of Trustees. Investment advice concerning the investment management of Plan assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Consultant are as provided in the contract for services with the trustees and include the following:

- A. Assisting in the development and periodic review of investment policy.
- B. Conducting investment manager searches when requested by the Board of Trustees.
- C. Providing "due diligence", or research, on the Investment Manager(s).
- D. Monitoring performance of the Investment Manager(s) to provide the Board of Trustees with the ability to determine progress toward the investment objectives.
- E. Communicating matters of policy, manager research, and manager performance to the Board of Trustees.
- F. Reviewing Plan investment history, historical capital markets performance and the contents of this investment policy statement with any newly appointed members of the Board of Trustees.

### **Responsibility Of Custodian**

The responsibilities of the custodian are as provided in the contract for services with the trustees and include the following:

The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Plan, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Plan accounts.

The custodian should also be able to provide securities lending services if requested and be able to report on commissions generated and where trades are placed by investment managers.

#### 4. **GENERAL INVESTMENT PRINCIPLES**

- A. Investments shall be made solely in the interest of the participants and beneficiaries of the Plan and for the exclusive purpose of providing benefits accrued thereunder and defraying the reasonable expenses of administration.
- B. Investment of the Plan shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
- C. The Board of Trustees may employ one or more investment managers of varying styles and philosophies to attain the Plan's objectives.
- D. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.
- F. Policy guidelines will be fixed from time to time by the Trustees after consideration of the advice and recommendation of the Investment Managers, the Consultant and others. All modifications of policy guidelines shall be in writing and signed by the Trustees.
- E. In addition to the general policies and guidelines established for the total fund, specific and more detailed policies and guidelines shall be established in writing to guide individual managers in the investment of the assets assigned to them.

#### 5. **ASSET ALLOCATION:**

The Trustees have determined that the overall asset mix of the fund, measured by market value; shall be as follows:

		<u>Target</u>
Maximum	70% Equity	65%
Minimum	50% Equity	
Maximum	50% Fixed Income	35%
Minimum	30% Fixed Income	

No separate cash account shall be maintained. Cash balances maintained as part of the normal course of business may be invested by the managers as provided elsewhere in this policy.

To implement the above strategy and achieve the return objectives and risk parameters established by this policy, The Board of Trustees has further established the following target asset mix for the plan:

<u>Asset Class</u>	<u>Target</u>	<u>Rebalance Range</u>
Large Cap Growth Equity	15%	+/- 3%
Large Cap Value Equity	15%	+/- 3%
International Equity	17%	+/- 3%

Page 5 of 22  
Statement of Investment Objectives, Policies and Guidelines

S & P 400 Mid-Cap Index	10%	+/- 3%
S & P 500 Index	8%	+/- 3%
Core Fixed Income	9%	+/- 3%
Intermediate Gov't/Credit Bonds	9%	+/- 3%
Convertible Bonds	17%	+/- 3%
Cash and Cash Equivalents	0%	

For the purposes of calculating the asset allocation of the system as a whole, each portfolio shall be assumed to be fully invested in the index to which it is compared.

The Trustees recognize that from time to time the asset mix will deviate from the targeted percentages due to market conditions. A range has been established for each asset class to control risk and maximize the effectiveness of the System's asset allocation strategy, while avoiding unnecessary turnover at the security level.

The trustees should review the percentage allocation to each asset class, on a market value basis, quarterly or such other period as the Board deems appropriate. When an asset class is outside of its allowable range, a reallocation should be made to rebalance that asset class back to the target allocation.

Where possible, cash flow to or from the System should be used to rebalance back to the targeted percentage as much as possible, since this avoids unnecessary turnover of securities. Where transfers between accounts are required, managers should be notified in advance, if possible, of the amount and timing of any transfers to or from their accounts.

Each investment manager appointed by the Trustees shall be given additional written asset allocation guidelines for the assets assigned to them. This is to assure the efforts of various managers coordinate and keep the total plan within these stated limits.

## **6. OBJECTIVES:**

The investment objective of the Jackson County Employees' Retirement System will be to attain the highest absolute return without undue risk consistent with the preservation of capital. Emphasis will be on long-term growth with current income. Each investment manager will have full discretion as to asset allocation within their individual allocation guidelines.

The Trustees recognize that occasional losses are inevitable. However, both realized and unrealized losses should be kept to a minimum by an ongoing thorough analysis of the securities purchased and held, the economy, interest rate trends and the fundamental and technical outlook for the financial markets.

To judge portfolio performance relative to the capital markets, each investment manager shall be compared to the market index which best reflects the capitalization, style and other characteristics assigned to each manager. Each manager should match or exceed their assigned index return. The standard deviation (Risk) of each account should approximate the standard deviation of the assigned index, unless otherwise noted in the individual manager policies.

On a relative basis, the combined portfolio of all managers shall be compared to a composite index comprised of the individual market indices of the managers weighted in the same proportion as the average portfolio allocation. The total portfolio should match or exceed its composite index return. The standard deviation (risk) of the total portfolio should approximate the standard deviation of the composite index.



On an absolute basis, the combined portfolio of all managers shall be compared to a static index comprised of 65% S&P Index and 35% Barclay's Capital Intermediate Government/Credit Index.

The goal for the aggregate plan assets is to exceed an annualized rate of return of 7.5%.

## **7. EQUITY INVESTMENTS:**

The Trustees do not believe that it is necessary or desirable that equity securities held in the funds represent a cross section of the economy. The investment managers will be allowed to choose the degree of concentration (or lack thereof) in any industry.

In order to broaden the investment opportunities for the investment managers to achieve the objectives set forth herein, they are permitted to invest in equity securities specifically as authorized by section 14 of Act 314 of the Michigan Public Acts of 1965, as amended, for which there is a strong market providing ready salability of specific securities. In addition, International Equity Managers may purchase unregistered ADR's and Equities traded on exchanges outside the United States and issued in non-United States currency.

## **8. FIXED INCOME INVESTMENTS:**

With the exception of direct obligations of the US Government or obligations of its agencies or instrumentalities, the fixed income portfolio should be diversified by maturity, industry and issuer. Fixed income purchased should have ratings of BAA or better from two of the following agencies: Moody's, Standard & Poors, Fitch or Duff & Phelps. The quality of the portfolio should maintain a weighted average between A and AAA over a one year period.

The average weighted maturity of the portfolio should fall in a range of 3-12 years. Major changes in the portfolio should be made to adjust maturity and/or quality when yield curve, yield spreads and interest rate changes are anticipated.

Convertible bonds shall be considered fixed income investments. Specific criteria and restrictions shall be included in the separate guidelines for convertible managers.

## **9. CASH AND CASH EQUIVALENTS:**

All cash, wherever and whenever possible, should be invested in interest bearing securities. These securities should be free of substantial risk of loss or price fluctuation and instantly saleable.

Cash balances maintained and generated as part of the normal course of business may be invested in a money market fund maintained by the custodian or a money market fund as directed by the investment manager of such balances.

Cash equivalents (i.e. securities with maturities under one year) may be used as primary investment vehicle during a portfolio restructuring between equities and longer term fixed income, or when short term interest rates represent a significant yield advantage over other market sectors and instruments.

The Investment Manager shall direct the buying and selling of these Investment vehicles as appropriate for the management of the account.

The following shall apply to cash equivalent instruments:

- A. Balances held in commercial accounts, certificates of deposit or depository receipts issued by a bank, trust company, savings and loan association or a credit union shall not exceed 1% of the system's assets in any one institution.
- B. Commercial Paper ratings shall be restricted to A-1 ratings of Standard and Poor's and P-1 by Moody's.
- C. Repurchase agreements shall be limited to REPOs involving direct obligations of the United States government or its agencies and instrumentalities as collateral; provided, that the market value of the collateral is maintained in an amount equal to or greater than 102% of the face value of the REPO. The securities pledged as collateral shall be physically held by a third party and evidenced by the issuance of a safekeeping receipt.

## 10. ALLOWABLE ASSETS

### 1. Cash Equivalents

- Treasury Bills
- Money Market Funds
- STIF Funds
- Commercial Paper
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

### 2. Fixed Income Securities

- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Mortgage Backed Bonds
- Convertible Notes and Bonds
- Fixed Income Securities of Foreign Governments and Corporations
- Planned Amortization Class Collateralized Mortgage Obligations (PAC CMOs) and collateralized debt obligations or other "early tranche" CMOs and CDOs

### 3. Equity Securities

- Common Stocks
- Preferred Stocks
- Convertible Preferred Stocks
- American Depository Receipts (ADRs) of Non-U.S. Companies
- Stocks of Non-U.S. Companies traded on an exchange outside of the United States or issued in a currency other than the United States dollar
- Writing covered stock options
- Rule 144A Stock

4. Mutual Funds
  - Mutual Funds which invest in securities as allowed in this statement.
  
5. Commingled or Pooled Accounts
  - Commingled or pooled accounts established and maintained by a bank, trust company or management company which invest in securities as allowed in this statement.

The Board of Trustees requires that all plan assets be invested in liquid securities, defined as securities that have a readily ascertainable market value and are readily marketable with minimum impact on market price.

## 11. **PROHIBITED SECURITIES AND TRANSACTIONS**

- ~ Uncovered Options
- ~ Margin Transactions
- ~ Selling Short
- ~ Commodities and Futures Contracts
- ~ Letter Stock
- ~ Securities of the investment manager's corporation or parent corporation.
- ~ Financial Futures - for hedging purposes (Trustee approval required).
- ~ Private Placements
- ~ Limited Partnerships
- ~ Venture Capital Investments
- ~ Real Estate Properties
- ~ Interest-only (IO), Principal-only (PO), and Residual Tranche CMOs & CDOs
- ~ Derivative Investments

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, CDOs, CMOs (PAC bonds, IOs, POs, residual bonds, etc.), and interest rate swaps, among others. The Board of Trustees feels that many derivative securities are relatively new and therefore have not been observed over multiple economic cycles. Due to this uncertainty, the Board of Trustees will take a conservative posture on derivative securities in order to maintain its risk averse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it

will form a general policy on derivatives. Unless a specific type of derivative security is allowed in this document, the Investment Manager(s) must seek permission from the Board of Trustees to include derivative investments in the Plan's portfolio. The Investment Manager(s) must present detailed information as to the expected return and risk characteristics of such investment vehicles.

## **12. INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION**

The Chairperson of the Board of Trustees shall appoint an Investment manager Review Subcommittee of not more than three members of the Board of Trustees. The Subcommittee shall perform regular due diligence and in depth performance reviews for each investment manager employed by the Board and shall inform the full Board of its findings.

The Subcommittee shall establish a manager review schedule and shall inform the Investment Consultant of the kinds of information to be assembled for their review. Such information shall include, but not be limited to, the quarterly performance reports on the plan's investment performance and in depth analysis of the manager's performance and how that compares to a representative peer group of managers of similar investment style.

The following guidelines and procedures shall be used by the Subcommittee and the Trustees in their reviews and evaluations:

### **A. TIME HORIZON**

The Board acknowledges that fluctuating rates of return characterize the securities markets, particularly during short-term periods. Accordingly, the Board wishes to view interim fluctuations with an appropriate perspective.

Recognizing that short-term fluctuations may cause variations in the total portfolio's performance, the Board encourages each investment manager to develop long-term investment strategies consistent with the guidelines contained in this Investment Policy Statement. A five-year time period reflects the Board's emphasis on the long-term, although significant deviations from performance objectives will be monitored for appropriate action.

### **B. PERFORMANCE OBJECTIVES**

Quarterly performance will be evaluated to test progress toward the attainment of longer-term targets. It is understood that there are likely to be short-term periods during which performance deviates from market indices and longer-term absolute and relative targets. During such times, greater emphasis shall be placed on peer performance comparisons with managers employing similar styles.

Each investment manager's performance shall be evaluated relative to an appropriate market index and a relevant peer group of managers.

### C. MANAGER TERMINATION PROCEDURE

The performance of the investment managers will be monitored on an ongoing basis and it is within the Board's discretion to take corrective action by replacing a manager if deemed appropriate at any time with or without cause. Performance factors, which may lead to terminating a manager relationship, include:

❖ Extraordinary Events (Organizational Issues)

Extraordinary events that need to be rigorously evaluated prior to a termination decision include such things as—

- Ownership changes (e.g. key people “cash out”)
- Key people leave firm
- Manager changes the strategy it was hired to implement
- Manager is involved in material litigation or fraud
- Material client-servicing problems
- Failure to adhere to any aspect of this Statement of Investment Policy, including communication and reporting requirements

❖ Long-Term Performance in Relation to Appropriate Market Index

Long-term performance standards should measure a manager's since-inception and rolling five-year returns in relation to the market index that the manager previously agreed to be measured against. If a manager fails to generate a return in excess of market indexes then, upon completion of appropriate due diligence, the Board may decide to terminate its contract with the manager.

❖ Shorter-Term Performance in Relation to Appropriate “Style Group”

Shorter-term performance standards should incorporate a time period of at least three years. Each manager is to be measured against the since-inception and rolling three year returns in relation to the market index that the manager previously agreed to be measured against. If a manager fails to generate a return in excess of its market index, the watch list procedures shall be invoked.

### D. WATCH LIST PROCEDURES

A “Watch List” is hereby established which will describe the conditions leading to an investment manager being placed on the list; the conditions that lead to a manager being removed or terminated; and the maximum amount of time a manager can remain on the list. The purpose of the “Watch List” is to provide an objective plan to assist the Trustees in deciding when a manager relationship should be terminated.

❖ Conditions for Listing

- Firm changes ownership structure
- Key people leave firm
- Manager changes strategy it was hired to implement

- Manager is involved in material litigation or fraud
- Material client servicing problems
- Rolling three-year total return (gross of fees) is less than the manager's market index or unacceptable explanations of poor performance are given

❖ Conditions for Removal or Termination

A calculation will be made showing the difference between the annualized portfolio return (gross of fees) and the appropriate market index return for the latest three-year period. This variance (shortfall) from the index is defined as the "gap".

- Managers will be given a six month period (two calendar quarters) to show improvement (narrowing) in the "gap" on a rolling three-year basis. If there is improvement, the manager may be retained for another six-month period. Upon further improvement, the manager may be removed from the list.
- If there is no improvement in the "gap", or the shortfall worsens, termination will be considered after appropriate due diligence is exercised. This includes verification of the reasons causing the added shortfall.

## **12. REPORTING AND COMMUNICATIONS**

- A. At regular intervals ( at least quarterly) the Investment Manager shall present to the Board of Trustees a written report on the fund's status, results of previous activity, changes in investment philosophy, economic outlook and other pertinent details. The report shall also provide a listing of assets with cost and market value comparisons. Should any report indicate the investments of the system exceed any of the limitations of Act 314 of The Michigan Public Acts of 1965, as amended, appropriate action shall be taken by the trustees to restore compliance.
- B. The Investment Manager will be called upon to meet in person with the Board of Trustees at least on an annual basis, and more frequently if requested. Annual statements of the firm's policy-strategy, as well as broad market and financial information shall be given.
- C. The Investment Manager shall report promptly any changes of significance in the ownership of the firm, and any potential changes in the operating makeup of the firm that might result in a conflict of interest, change the firms investment philosophy, or otherwise alter the management of the plan's assets. The Investment Manager shall furnish the Board of Trustees with a copy of the form ADV Part II filed annually with the Securities and Exchange Commission.

## Statement of Investment Objectives, Policies and Guidelines

- D. The Investment Manager shall maintain and furnish on request such records as may be needed to allow the Board of Trustees or parties designated by them to create performance measurement reports to evaluate the success or failure of the Manager in meeting the investment objectives and policies as stated in this document.
- E. Each January, The Board of Trustees shall review this statement of investment objectives to determine if it is still appropriate for the needs of the plan and current market conditions. Any changes will be transmitted to the Investment Managers in writing. The Board of Trustees shall be given written notice if an Investment Manager believes these objectives cannot be met or that these guidelines constrict their ability to perform, given the manager's investment philosophy or changing market conditions.
- F. The Board shall be promptly notified, in writing, should the investment manager become subject to any material litigation or regulatory sanction.
- G. The investment consultant will provide written performance reports for each individual portfolio or fund and for the composite of all portfolios not less than quarterly. The consultant shall also report each quarter on the economy and market environment and how these factors have impacted the performance of individual managers and the total portfolio. Matters pertaining to the continued suitability for an investment manager or strategy shall be reported to the Board promptly after coming to the attention of the consultant or being requested by the trustees.
- H. The custodian shall provide monthly and other periodic statements of assets and transactions.

APPROVED: March 30, 2001  
AMENDED: March 22, 2002  
AMENDED: July 25, 2003  
AMENDED: November 17, 2005  
AMENDED: May 25, 2006  
AMENDED: February 15, 2007  
AMENDED: August 27, 2009  
AMENDED: February 24, 2011  
AMENDED: March 22, 2012  
AMENDED: August 23, 2012  
AMENDED: August 22, 2013  
AMENDED: October 24, 2013

### OBJECTIVES FOR GROWTH MANAGER

The following additional criteria and standards shall apply to the Large Cap Growth Style assets managed by Polen Capital Management under the Large Cap Growth strategy for The Jackson County Employees' Retirement System.

1. Equity securities held in the portfolio should be reasonably diversified across industrial groupings, consistent with the Large Cap Growth strategy and the Manager's investment philosophy. The Trustees recognize that the Large Cap Growth portfolio will not be broadly diversified, but rather will focus intently on the companies owned, and will not dilute the potential performance of those stocks in which the manager has the greatest confidence. The portfolio may include large concentrations relative to its benchmark in the securities held and in certain industries and sectors of the economy. Stock selection should favor companies considered to have medium to large capitalizations, generally \$1 billion and above at the time of investment. Typically at the time of investment stock characteristics may include high EPS growth, higher P/E multiples, higher price to book value ratios, higher price/cash flow multiples, higher price to book value ratios, higher price/cash flow multiples, usually lower dividend yields and other factors generally associated with the growth style of management.
2. While a fully invested portfolio of equities is preferred, cash may be used as a risk control strategy when the manager believes that market conditions require caution or otherwise warrant a temporary pull back from a fully invested position.
3. Because of the concentrated or less diversified nature of the portfolio, the standard deviation (risk) of the portfolio will generally exceed the standard deviation of the Russell 1000 Growth Index by substantial amounts under most market conditions.
4. The performance of the portfolio should match or exceed the performance of the Russell 1000 Growth Index.

APPROVED: March 30, 2001  
AMENDED: February 15, 2007  
AMENDED: March 22, 2012



### **OBJECTIVES OF VALUE MANAGER**

The following additional criteria and standards shall apply to The Large Cap Value assets of the Jackson County Employees' Retirement Plan managed by NWQ Investment Management:

1. Common and preferred stocks held in the portfolio should be reasonably diversified across industrial sectors and within industrial groupings. Stock selection should favor companies considered to have medium to large capitalization's (\$1 Billion and above). Stock characteristics shall include lower P/E multiples, lower price to book value ratios, higher dividend yields, lower price/cash flow multiples and other factors generally associated with the value style of management.
2. While a fully invested portfolio of equities is preferred, cash may be used as a risk control strategy when the manager believes that market conditions require caution or otherwise warrant a temporary pull back from a fully invested position.
3. The standard deviation (risk) of the portfolio should approximate the standard deviation of the Russell 1000 Value Index.
4. The performance of the portfolio should match or exceed the performance of the Russell 1000 Value Index.

APPROVED: March 30, 2001  
AMENDED: November 17, 2005

### **OBJECTIVES FOR INTERNATIONAL EQUITY MANAGER (TRADEWINDS)**

The following additional criteria and standards shall apply to The International Equity assets of the Jackson County Employee's Retirement Plan managed by Tradewinds Global Investors:

1. In addition to American Depository Receipts registered on a National Securities Exchange regulated under Title I or the Securities and Exchange Act of 1934, or on the National Association of Securities Dealers automated quotation system, the manager may purchase unregistered American Depository Receipts or companies traded on exchanges outside the United States and issued in a currency other than the United States dollar. With approval of The Board of Trustees, not to exceed 10% of the total portfolio may be invested in securities of companies that represent emerging markets. A mutual fund may be used for emerging market investments to help achieve diversification if deemed appropriate by the investment manager.
2. While a fully invested portfolio of equities is preferred, cash may be used as a risk control strategy when the manager believes that market conditions require caution or otherwise warrant a temporary pull back from a fully invested position.
3. The standard deviation (risk) of the portfolio should approximate the standard deviation of the Morgan Stanley EAFE CAP Index-net of dividends.
4. The performance of the portfolio should match or exceed the performance of the Morgan Stanley EAFE CAP Index- net of dividends.

APPROVED: March 30, 2001  
AMENDED: February 24, 2011

### **OBJECTIVES FOR INTERNATIONAL EQUITY MANAGER (WENTWORTH)**

The following additional criteria and standards shall apply to The International Equity assets of the Jackson County Employee's Retirement Plan managed by Wentworth, Hauser & Violich:

1. In addition to American Depository Receipts registered on a National Securities Exchange regulated under Title I of the Securities and Exchange Act of 1934, or on the National Association of Securities Dealers automated quotation system, the manager may purchase unregistered American Depository Receipts or companies traded on exchanges outside the United States and issued in a currency other than the United States dollar. With approval of The Board of Trustees, not to exceed 10% of the total portfolio may be invested in securities of companies that represent emerging markets. A mutual fund may be used for emerging market investments to help achieve diversification if deemed appropriate by the investment manager.
2. While a fully invested portfolio of equities is preferred, cash may be used as a risk control strategy when the manager believes that market conditions require caution or otherwise warrant a temporary pull back from a fully invested position.
3. Due to sector and country allocations that can differ significantly from that of the Morgan Stanley EAFE Net Index, the standard deviation (risk) of the portfolio may exceed that of the benchmark.
4. The performance of the portfolio should match or exceed the performance of the Morgan Stanley EAFE Net Index.

APPROVED: June 25, 2009

### **OBJECTIVES FOR S & P 400 MID-CAP INDEX MANAGER**

The following criteria and standards shall apply to The S & P 400/Mid Cap Index managed by State Street Global Advisors.

1. The portfolio shall be managed as a full replication of the S & P 400/Mid-Cap Index.
2. The account shall be expected to match the performance and risk of the S & P 400/Mid Cap Index with a maximum tracking error of  $\pm .10\%$  (10 basis points) gross of fees.

APPROVED: March 30, 2001

### **OBJECTIVES FOR S & P 500 INDEX MANAGER**

The following criteria and standards shall apply to The S & P 500/ Index assets of The Jackson County Employees' Retirement Plan managed by State Street Global Advisors.

1. The portfolio shall be managed as a full replication of the S & P 500/ Index.
2. The account shall be expected to match the performance and risk of the S & P 500/ Index with a maximum tracking error of  $\pm .10\%$  (10 basis points) gross of fees.

APPROVED: March 30, 2001

### OBJECTIVES FOR A CORE FIXED INCOME MANAGER

The following additional criteria and standards shall apply to The Core fixed income assets of The Jackson County Employees' Retirement Plan managed by C.S. McKee, L.P.

1. The fixed income portfolio should be diversified by maturity and, with the exception of direct obligations of the US Government or obligations of its agencies or instrumentalities, by industry and issuer. Fixed income purchased should have a rating of BAA or better from two of the following agencies: Moody's, Standard & Poors, Fitch and Duff & Phelps. The quality of the portfolio should maintain a weighted average between A and AAA over a one year period.
2. While a fully invested portfolio of bonds is preferred, cash may be used as a risk control strategy when the manager believes that market conditions require caution or otherwise warrant a temporary pull back from a fully invested position.
3. The average weighted maturity of the fixed income portfolio should fall in a range of 3-12 years. Major changes in the portfolio should be made to adjust maturity and/or quality when yield curve, yield spreads and interest rate changes are anticipated.
4. The standard deviation (risk) and duration of the fixed income portfolio should approximate the standard deviation and duration for the Barclay's Capital Aggregate Bond Index.
5. Fixed income total rates of return should approximate the Barclay's Capital Aggregate Bond Index.

APPROVED: March 30, 2001  
AMENDED: July 25, 2003  
AMENDED: February 15, 2007  
AMENDED: August 27, 2009

### **OBJECTIVES FOR AN INTERMEDIATE FIXED INCOME MANAGER**

The following additional criteria and standards shall apply to The Intermediate Fixed Income assets of the Jackson County Employees' Retirement Plan managed by Garcia, Hamilton, Jackson & Associates, L.P.

1. The fixed income portfolio should be diversified by maturity and, with the exception of direct obligations of the US Government or obligations of its agencies or instrumentalities, by industry and issuer. Fixed income purchased should have a rating of BAA or better from two of the following agencies: Moody's, Standard & Poor's, Fitch and Duff & Phelps. The quality of the portfolio should maintain a weighted average between A and AAA over a one year period.
2. While a fully invested portfolio of bonds is preferred, cash may be used as a risk control strategy when the manager believes that market conditions require caution or otherwise warrant a temporary pull back from a fully invested position.
3. The average weighted maturity of the fixed income portfolio should fall in a range of 3-8 years. Major changes in the portfolio should be made to adjust maturity and/or quality when yield curve, yield spreads and interest rate changes are anticipated
4. The standard deviation (risk) and duration of the fixed income portfolio should approximate the standard deviation and duration for the Barclay's Capital Intermediate Government/Credit Index.
5. Fixed income total rates of return should approximate the Barclay's Capital Intermediate Government/Credit Index.

APPROVED: March 30, 2001  
AMENDED: August 27, 2009  
AMENDED: February 24, 2011

### OBJECTIVES FOR A CONVERTIBLE SECURITIES MANAGER

The following criteria and standards shall apply to the Convertible Security assets of the Jackson County Employees' Retirement Plan.

1. Since Act 314 of the Michigan Public Acts of 1965, as amended, defines preferred stocks as equities, preferred or convertible preferred securities may not exceed 25% of the convertible securities portfolio.
2. The portfolio should be diversified by maturity, industry and issuer. At least 50% of the portfolio should have a rating of BAA or better at the time of purchase, from one of the following agencies; Moody's, Standard and Poor's, Fitch or Duff & Phelps.
3. Convertible Bonds trading at over 150% of par should not exceed 40% of the portfolio on a current market basis.
4. The average weighted time to redemption of the Portfolio should not exceed 10 years. This calculation should include the shortest period of either the maturity date or (if applicable) the nearest put date. Major changes in the portfolio should be made to adjust maturity and/or quality when changes in interest rate yield spreads, the yield curve and other market conditions are anticipated.
5. The standard deviation and rates of return for the portfolio should approximate the standard deviation and rates of return for a 50/50 blend of the *Merrill Lynch All Convertibles Ex. Mandatories Index (VOA0)* and the *Merrill Lynch Investment Grade Convertibles Ex. Mandatories Index (VOA1)*.
6. While a fully invested portfolio of convertible securities is preferred, cash may be used as a risk control strategy when the manager believes that market conditions require caution or otherwise warrant a temporary pull back from a fully invested position.
7. At the conclusion of each quarter the manager shall make a written report to the trustees showing ratings of the securities in the portfolio and the percent that are not investment grade and what percent of the portfolio is trading over 150% of par value.
8. Convertible Securities that are traded outside the United States and issued in a currency other than the United States dollar shall not be used in the portfolio. Dollar denominated Convertible Securities traded in the United States by foreign corporations are permitted without limitation provided they meet the other requirements of this policy and Act 314 of the Michigan Public Acts of 1965, as amended.
9. Most Convertible Securities are issued in forms that would be classified as derivatives under Act 314 of the Michigan Public Acts of 1965, as amended. Act 314 does not prohibit a plan from investing in derivatives, but does establish some limitations. The Board of Trustees does not wish to expose the plan to undue risk. However, The Board of Trustees also does not wish to unduly restrict the ability of the investment manager to effectively manage the assets assigned. Subject to the general provisions of Act 314, convertible securities that are issued in derivative form may be used in the portfolio if they are exchange listed derivatives as



defined by Act 314 and provided they meet the quality rating standard set forth in this policy. Securities specifically permitted under the above conditions are as follows:

MIPS – Monthly Income Preferred Securities

PERCS – Preferred Equity Redemption Cumulative Stock, (also known as MCPDPS, TARGETS, YES, CHIPS, ELKS, EYES, PERQS or YIELDS)

*PRIDES – Preferred Redeemable Increased Dividend Equity Securities, (also known as, ACES, DECS, MARCS, PEPS or SAILS)*

Convertible Principal Protected Notes

Convertible Securities not included in the above list may be used if they meet all of the requirements of this policy and Act 314.

**RESOLVED**, that a copy of this Resolution be posted on the Jackson County Employees' Retirement System webpage in the normal manner.

APPROVED: March 30, 2001  
AMENDED: May 24, 2002  
AMENDED: July 23, 2004  
AMENDED: August 23, 2012  
AMENDED: October 24, 2013

## ADVISOR & CONSULTANT REVIEW

	<b>Advisor/ Consultant</b>		<b>Last Reviewed</b>
	Actuary		Apr-2011
	Comerica		2013
	Legal Services		Jul-2005
	MSSB		1997
	Medical Director		

# JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES

120 West Michigan Avenue  
Jackson, Michigan 49201  
(517) 768-6608

County Tower Building  
Fax (517) 768-6713

## JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM

### REQUEST FOR INFORMATION TO PROVIDE INVESTMENT ADVICE AND COUNSEL TO RETIREMENT BOARD

The Board of Trustees of the Jackson County Employees' Retirement System is requesting information ("RFI") for Investment Consultant Services, with written responses due by 4:00 p.m. on \_\_\_\_\_, \_\_\_\_\_, 2016.

1. All responses to the RFI's must be delivered to the Board (see details in Section I. C. 4), *infra*. Faxed RFI responses will not be considered or accepted.
2. The responder shall assume full responsibility for delivery of RFI responses prior to the appointed deadline and shall assume the risk of late delivery or non-delivery regardless of the manner employed for the transmission thereof. Proposals will be accepted at any time before the stated deadline, during the normal course of the business day only, being 9:00 a.m. to 5:00 p.m., Monday through Friday, legal holidays excepted.

#### I. OVERVIEW

The Board of Trustees of the Jackson County Employees' Retirement System ("Retirement Board") is in the process of reviewing its investment consultant services. The purpose of this Request for Information ("RFI") is to gain adequate information from which the Retirement Board may evaluate such services.

The Jackson County Employees' Retirement System has a total market value of approximately \$200,000,000 Million Dollars. The Retirement System's portfolio consists of various investments in global equity and fixed income securities, and is managed by seven active managers and two index funds.

#### A. SCOPE OF SERVICES

The primary role of the Retirement Board's Investment Consultant is to provide objective, third-party advice and counsel that will enable the Retirement Board to make well-informed and well-educated decisions regarding the investment of the Retirement System's assets. Contractual services for investment consulting will include, but not be limited, to the following:

1. Development Investment Policy, Objectives and Guidelines
2. Asset Allocation Studies
3. Investment Manager Search

4. Development of Investment Manager Performance Standards/Guidelines
5. General Consulting Services
6. Performance Measurement & Monitoring
7. Monitor compliance with Michigan Public Act 314
8. Assist in Fund Diversification
9. Historical Information Related to Specific Holdings

## **B. MINIMUM REQUIREMENTS**

1. The Investment Consultant must have a minimum of five (5) years experience in providing qualified retirement plan services.
2. The Investment Consultant must be a registered investment advisor under the Investment Advisors Act of 1940.
3. The Investment Consultant shall acknowledge its responsibilities as a fiduciary under Public Act 314 of 1965, as amended.
4. If you are affiliating or partnering with a national firm, or are a local office of a national firm, the minimum qualification requirements herein must be satisfied by the individual or entity submitting this proposal.
5. The Investment Consultant must attend monthly meetings, as well as special meetings upon request by the Board, at no additional cost to the Retirement System.

## **C. SUBMISSION REQUIREMENTS**

To achieve a uniform review process and obtain the maximum degree of comparability, **it is required** that the submission be organized in the following manner:

1. Title Page:  
  
Please indicate the RFI subject, the name of your organization, address, telephone number, name of contact person and date.
2. Table of Contents:  
  
Clearly identify the material by section and page number.
3. Response to Request for Information:  
  
Please respond to each question in order of sequence in the Request for Information (Section II).
4. Submission:

The Retirement Board requests that a total number of seven (7) complete sets of your responses be submitted.

Submissions must be presented to the Retirement Board in a sealed envelope clearly marked as follows:

Board of Trustees of the Jackson County  
Employees' Retirement System  
120 W. Michigan Ave., 7<sup>th</sup> Floor  
Jackson, MI 49201

An additional electronic PDF copy on USB drive of your proposal should be submitted to the Board as well. Please also provide a copy to legal counsel:

Jack Timmony, Esq.  
VanOverbeke, Michaud & Timmony, P.C.  
79 Alfred Street  
Detroit, Michigan 48201

Your response to this RFI must be received at the above address **by 4:00 p.m. on \_\_\_\_\_, \_\_\_\_\_, 2016.**

**II. REQUEST FOR INFORMATION – Please label each response with the corresponding question's section and number.**

**A. FIRM INFORMATION**

1. Name of your firm, the address of your closest office, telephone number, and primary contact for the request for information. Please provide the names of the persons who will be authorized to make presentations for your organization, together with their respective titles, addresses, and telephone numbers.
2. Briefly state your understanding of the nature of the work.
3. Is your organization a subsidiary, parent, or affiliate of any other firm? If so, please describe in detail.
4. Please submit biographical profiles on the individual(s) who will be assigned to our account.
5. Provide a list of all public pension fund experience you have, including any public fund clients under contract to date. Please provide a minimum of 3 references by name of client, type of client, contact person, address and telephone number.
6. If you have lost any public fund clients in the last 3 years, please explain.

7. Please explain size, composition, and source of your performance measurement data base.
8. Please explain why is your firm uniquely qualified to service our account.

**B. INVESTMENT POLICY/ASSET ALLOCATION GUIDELINES**

1. Provide an outline of the principal steps you would follow when developing a Statement of Investment Policy and Objectives.
2. What is your approach to development of asset allocation guidelines? Please describe this process in detail, including application of major variables (e.g. - risk tolerance, emerging liabilities, etc.).

**C. INVESTMENT MANAGER SELECTION**

1. Please describe in detail the procedure and criteria you follow in the selection of additional investment managers?
2. Do you monitor your success in selecting managers? Explain how you measure the level of success of existing managers. Please be specific.

**D. PERFORMANCE EVALUATION**

1. Specifically describe your performance evaluation system and the philosophy behind it.
2. Provide a sample of your standard reports.
3. Describe and illustrate any special indices constructed by your firm.
4. Please describe, in detail, the optimal role that your firm would like to take in manager presentations to the Retirement Board.
5. Please provide 1 year, 3 year, 5 year and 10 year performance results on an annualized basis for a minimum of 5 public employee retirement system clients. If possible, these clients should include all Michigan public employee plans.
6. Please describe the services you provide on behalf of the Retirement System for securities litigation “proof of claim” and reporting purposes.

**E. CUSTODIAL SERVICES**

1. Does your firm provide asset custodial services? If so, please describe in detail.

**F. FEES & REGULATORY INFORMATION**

1. Please indicate your fee schedule for investment performance analysis services, asset allocation, investment policy, manager search, custodial search, custodial services, etc.
2. Please identify all complaints received by the Securities and Exchange Board and the National Association of Securities Dealers during the past 3 years. Has your firm been involved in litigation within the last 3 years, or is there any pending litigation arising out of your performance involving professional misfeasance or breach of fiduciary? If your answer is yes, explain fully.
3. Has your firm been investigated by any state or federal regulatory or law enforcement agency in the last ten years? If yes, please describe in detail the substance and results of each such investigation.
4. Do you have any policies or procedures to address conflicts of interest as they relate to the providing of advice to your clients?
5. Will you acknowledge in writing that you have a fiduciary obligation as an investment adviser to the Retirement System while providing investment consulting services?
6. Describe the various types of insurance and indemnification provided to your clients, including specific dollar coverage.

**OTHER REQUIREMENTS**

1. Pre-Qualification: Inviting a response does not assume a "pre-qualification" of any proposer.
2. Preparation Cost: The Retirement Board will not be liable for any costs incurred in preparation of submissions.
3. Certification as to "Request for Information" Content: By submitting information, it is understood and agreed that the responder has fully read and understands the "Request for Information" and has full knowledge of the scope, nature, quantity, and quality of work to be performed. Unless specified to the contrary, submitting information will be interpreted as agreement to all provisions in and requirements of the RFI.

4. Reservation of Right to Investigate: The Retirement Board reserves the right to investigate the qualifications of all responders as it deems appropriate.
5. Rejection: The Retirement Board reserves the right to reject any or all information, the right in its sole discretion to accept the information which it considers most favorable to the Retirement Board's interest, and the right to waive minor irregularities in the procedures. The Retirement Board further reserves the right to seek new information when such a procedure is in its best interest.
6. Timeliness: Information received by the Retirement Board after the time specified for opening will not be considered.
7. Completeness: All information required by the Request for Information shall be supplied to constitute an acceptable submission.

The Retirement Board appreciates the time and effort you will have expended in responding to this Request for Information.



# JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES

120 West Michigan Avenue  
Jackson, Michigan 49201  
(517) 768-6608

County Tower Building  
Fax (517) 768-6713

## JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM

### REQUEST FOR INFORMATION FOR LEGAL COUNSEL SERVICES

#### A. OVERVIEW

The Board of Trustees of the Jackson County Employees' Retirement System ("Board") intends to review its legal counsel services. The purpose of this Request for Information ("RFI") is to define the Retirement Board's minimum requirements and to solicit information from which the Retirement Board may evaluate such services.

#### B. PLAN PROFILE

The Jackson County Employees' Retirement System ("Retirement System") is established and administered pursuant to the provisions of: (a) Public Act 156, of 1851, Section 12a added by Public Act 249 of 1943, as amended, (MCL 46.12a); (b) the Jackson County Employees' Retirement System Bylaws, as amended; (c) applicable collective bargaining agreements; and, (d) applicable state and federal laws including, but not limited to Public Act 314 of 1965, as amended ("Act 314") [MCL 38.1132 *et seq.*].

The Retirement System serves approximately 700 active Plan members, and 800 inactive Plan Members and/or Beneficiaries. As of the last valuation report dated December 31, 2015, the market value of assets in the Plan was approximately \$200,000,000 Million Dollars.

#### C. MINIMUM QUALIFICATIONS

The Retirement Board requires that all prospective service providers:

1. Have strong credentials;
2. Be in good financial standing;
3. Have a thorough understanding of state and federal laws relevant to municipal retirement system in the State of Michigan; and
4. Be a member of the Michigan Bar and Michigan Association of Public Employee Retirement Systems.

## **D. SCOPE OF SERVICES**

The Board normally meets once per month. The meetings are held at 120 W. Michigan Ave., Jackson, MI 49201. The Board may, from time to time, request legal opinions, research, or advice on certain specific issues that may arise. If appointed, your legal firm will report to the Board. Legal counsel will also be expected, if appropriate, to consult with our actuary, and any other consultants or investment managers with which the Board may have a contractual arrangement.

The Board requires legal counsel to keep current the Retirement System Bylaws and review the policies of the Retirement System. Your firm may also be required to act as a liaison between the Board and the County of Jackson administration and Board of County Commissioners.

When responding to this Request for Information, the Retirement Board encourages you to describe the ways in which you believe your service capability is special or distinctive.

## **E. SUBMISSION REQUIREMENTS**

To achieve a uniform review process and obtain the maximum degree of comparability, it is required that the response be organized in the following manner:

1. Title Page:  
Please indicate the RFI subject, the name of your organization, address, telephone number, name of contact person and date.
2. Table of Contents:  
Clearly identify the material by section and page number.
3. Letter of Transmittal:  
Limit to one or two pages.
  - a. Briefly state your organization's understanding of the nature of the work.
  - b. Give the names of the persons who will be authorized to make presentations for your organization, their titles, addresses, and telephone numbers.
4. Submission:  
The Retirement Board requests that a total number of 8 complete sets of your response be submitted.

Responses must be presented in a sealed envelope clearly marked as follows:

RFI: Legal Services  
Jackson County Employees' Retirement System  
120 W. Michigan Ave.  
Jackson, MI 49201

All inquiries about the RFP should be in writing and brought to the attention of the Board of Trustees at the address above.

An additional electronic PDF copy on USB Drive of your proposal should be submitted to the Board as well.

Your response to this RFP must be received at the above address by 4:00 p.m. on \_\_\_\_\_, 2016.

**F. ORGANIZATION BACKGROUND**

1. State the length of membership in the State of Michigan Bar Association. Proposers are required to have a minimum of ten to fifteen years Michigan public pension plan experience.
2. Designate the attorney in charge who will be the primary responsible attorney to perform the services and a listing of all other attorneys and staff who would be used, and indicate which service(s) they would perform.
3. Include a brief resume of the attorney(s) expected to perform services for the Board indicating the number of years of practice, type of experience, training, and expertise.
4. Restate the scope of services to be performed including your understanding of the tasks required and any additional related capabilities of your firm.
5. Provide a history of your firm and detailed list of retirement system experience particularly on behalf of local government jurisdictions in Michigan.
6. Provide a statement indicating whether any of the firm's work with pension boards has been the subject of any administrative or legal action, and if so, please provide a detailed explanation of the cause for the challenge and the outcome.
7. Submit a proposed schedule of fees to be charged for specific services requested based upon the standard method used by your firm.
8. Furnish itemized descriptions and proposed costs of any reimbursable expenses that might be incurred by your firm and charged to the Board.

## **G. REFERENCES**

Please provide the names, contacts, and phone numbers of clients that are of similar size as the Retirement System who will share with the Retirement Board their first-hand experiences regarding your services (preferably public retirement systems)

## **H. MISCELLANEOUS**

1. Is your firm a member of MAPERS? What other affiliations does your company maintain to keep apprised of unique issues and developments affecting public employee retirement systems?
2. Has your company or its employees been investigated by any state or federal regulatory or law enforcement agency in the last ten years? If yes, please describe in detail the substance and results of each such investigation.
3. Please describe the transition process when taking on a new client. Please discuss computer systems and data issues.

## **I. OTHER REQUIREMENTS**

1. Pre-Qualification: Inviting a response does not assume a "pre-qualification" of any proposer.
2. Preparation Cost: The Retirement Boards will not be liable for any costs incurred in preparation of responses.
3. Certification as to "Request for Information" Content: By submitting a response, the responder certifies that he/she has fully read and understands the "Request for Information" and has full knowledge of the scope, nature, quantity, and quality of work to be performed. Unless specified to the contrary, submitting a response will be interpreted as agreement to all provisions in and requirements of the RFI.
4. Additional Information and Instruction: The responder shall furnish such additional information as the Retirement Boards may reasonably require. The Retirement Boards reserve the right to investigate the qualifications of all responders as it deems appropriate.
5. Negotiations: The Retirement Boards reserve the right to conduct pre-contract negotiations with any or all responders.
6. The Retirement Boards reserve the right to reject any or all responses, the right in its sole discretion to accept the responses which it considers most favorable to the Retirement Boards' interest, and the right to waive minor irregularities in the procedures. The Retirement Boards further reserve the right to seek new responses when such a procedure is in its best interest.
7. Responses received by the Retirement Boards after the time specified for opening will not be considered.

The Retirement Board appreciates the time and effort you will have expended in responding to this Request for Information.