

JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM

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

Thursday, June 23, 2016
Immediately Following the
Jackson County Employees'
Retirement System Meeting
5th Floor
County Tower Building

POLICY MEETING AGENDA

1. Approval of Agenda
2. Public Comment
3. Minutes – Policy Committee
 - A. May 26, 2016
4. Review Board Policy #36; Statement of Investment Objectives, Policies and Guidelines
5. Service Contract Agreement
6. Request for Information (RFI)
 - a. RFI – Medical Director Review
7. Due Diligence Policy (to be reviewed by Investment Consultant)
8. Good Corporate Governance and Proxy Voting for Securities
(to be reviewed by Investment Consultant)
9. Continue reviewing Board Policies

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

Thursday, May 26, 2016
Tower Building 5th Floor

The 05/26/2016 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 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 May 5, 2016 as presented. Motion carried.

MOTION: Moved by Maurer, supported by Elwell, to send Policy #3 – Advisor & Consultant Reviews. Motion carried.

MOTION: Motion by Elwell, supported by Maurer to send Policy #17 – Elections Procedures. Motion carried.

MOTION: Motion by Maurer, supported by Elwell to send Policy #21 – Supplemental Actuarial Valuation. Motion carried.

The following Policy Resolutions will be reviewed at the June 23, 2016 Committee Meeting:

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 11:00 a.m.

Chairperson

Pension Coordinator

**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.

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- 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%

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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

SERVICE CONTRACT BETWEEN JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM AND JACKSON, COUNTY MICHIGAN

THIS CONTRACT is made this 22 day of September, 2011 by and between the Jackson County Employees' Retirement System (hereafter called Client) and the County of Jackson, Michigan (hereafter called Contractor), whose principal office is located at 120 W. Michigan Avenue, Jackson, MI 49201; for the purpose of providing staff/administrative services for the Client.

NOW, THEREFORE, the Client and Contractor, for the considerations stated herein, mutually agree as follows:

Article I: This contract contemplates the following services:

- a. The Client (Jackson County Employees' Retirement System Board of Trustees) shall establish policy for the pension system and shall establish, monitor and govern its own investment policies of the pension system.
- b. The Contractor shall provide staff charged with the day-to-day administration of the Client's retirement system. These staff shall be employees of the Contractor.
- c. The Contractor's staff shall perform the following general duties to include, but not limited to: attend meetings of the Client's Board of Trustees; take minutes of said meetings; provide customer service for members of the Jackson County Employees' Retirement System including pension estimates, calculations, responses to employee/retiree inquiries, handling all related pension benefit correspondence and applications, report generation and other such reasonable duties that the Board requests.

Article II: Cost/Services Reimbursement:

Client shall compensate Contractor for its services, and provide other reasonable cost allocations as follows via Contractor's typical cost allocation/reimbursement process:

1. Staffing up to 1.75 full-time equivalents (FTEs).
2. Allocated Costs (includes building and equipment use, information technology support, and Administrative Services) based upon the most recent Maximus cost allocation study. Upon annual receipt of the Maximus report the Contractor shall provide the Client the Employee Retirement System portion of the Maximus report within 60 days.

The costs for the above may be adjusted annually as market, financial or organizational conditions warrant.

Client and Contractor shall comply with all applicable State of Michigan, federal, and local laws and regulations in the administration of all contractual responsibilities.

SERVICE CONTRACT BETWEEN JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM AND JACKSON, COUNTY MICHIGAN

Evaluation: The Contractor will annually seek Client input regarding the performance of the employees assigned to the Employee Retirement System operations.

Termination Clause: Either Party may terminate this contract with ninety (90) days written notice.

Authority: Contractor and Client certify that the below named individuals have the authority to enter into this Contract on behalf of their respective organizations, and voluntarily do so on the date indicated below. Any changes to this contract shall be made pursuant to an addendum, signed by both parties.

CLIENT:

By:  9-22-11
Jackson County Employees' Retirement System Date

CONTRACTOR:

By:  9/22/11
Michael Overton, Administrator/Controller Date

JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM
REQUEST FOR INFORMATION FOR A
MEDICAL DIRECTOR

A. OVERVIEW

The Board of Trustees of the Jackson County Employees' Retirement System ("Board") is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System. The purpose of this Request for Information (RFI) is to outline the Board's requirements for its Medical Director and solicit proposals from which the 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 570 active employees and approximately 760 retirees from multiple bargaining units. As of the last valuation report dated December 31, 2015, the market value of assets in the plan was \$144,000,000.00.

C. MINIMUM QUALIFICATIONS

The Board requires that all prospective Medical Directors have strong credentials, and be licensed certified physician(s).

D. SCOPE OF SERVICES

The Board of Trustees is seeking proposals from qualified entities to serve as the Retirement System's Medical Director. The Medical Director shall: (1) be directly responsible to and hold office at the pleasure of the Board of Trustees; (2) arrange for and pass upon all medical examinations required under the provisions of the Retirement System; (3) investigate all essential records, statements and certificates of a medical nature by or on behalf of a member, or other claimant, in connection with any application for disability retirement, or death in line of duty benefits; and (4) report in writing to the Board of Trustees his/her conclusions and recommendations. The purpose of this Request for Information (RFI) is to outline the Board of Trustees' requirements for its Medical Director and solicit proposals from which the Board of Trustees may evaluate such services.

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 proposal 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 ____ complete sets of your response be submitted.

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

RFI: Medical Director
Jackson County Employees' Retirement System
120 W. Michigan Ave.
Jackson, MI 48201

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

Any questions regarding this RFP should be directed in writing to the Board's legal counsel.

Your response to this RFP must be received at the above addresses by 4:00pm _____, _____, 2016.

F. ORGANIZATION BACKGROUND

1. Please provide a list of physicians, their specialties and curriculum vitae. Proposers are required to have a minimum of three to five years Public Pension Plan experience.
2. Designate the medical professional in charge who will be primarily responsible for performing services and a listing of all other medical professionals and staff who would be used, and indicate which service they would perform.
3. Include a brief resume of the medical professionals 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 organization.
5. Provide a history of your organization 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 organization'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 organization.
8. Furnish itemized descriptions and proposed costs of any reimbursable expenses that might be incurred by your organization and charged to the Board.
9. Please describe the transition process when taking on a new client.

H. REFERENCES

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

J. OTHER REQUIREMENTS

10. Pre-Qualification: Inviting a proposal does not assume a "pre-qualification" of any proposer.
11. Proposal Preparation Cost: The Board will not be liable for any costs incurred in preparation of proposals.

12. Certification as to "Request for Information" Content: By submitting a proposal, the proposer 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 proposal will be interpreted as agreement to all provisions in and requirements of the RFI.
13. Additional Information and Instruction: The Proposer shall furnish such additional information as the Board may reasonably require. The Board reserves the right to investigate the qualifications of all proposers as it deems appropriate.
14. Negotiations: The Board reserves the right to conduct pre-contract negotiations with any or all proposers.
15. Proposal Rejection: The Board reserves the right to reject any or all proposals, the right in its sole discretion to accept the proposal which it considers most favorable to the Board's interest, and the right to waive minor irregularities in the procedures. The Board further reserves the right to seek new proposals when such a procedure is in its best interest.
16. Proposals Binding for 90 Days: All proposals submitted shall be binding for ninety (90) calendar days following the above due date for receipt of proposals to allow for evaluation and award of contract.
17. Late Proposals: Proposals received by the Board after the time specified for proposal opening will not be considered.
18. Completeness: All information required by the Request for Information shall be supplied to constitute an acceptable proposal. Failure to submit a complete proposal may result in the disqualification of your proposal.

The Board appreciates the time and effort you will have expended in responding to this RFI.

CONSULTANT REVIEW TIMELINE

Advisor/Consultant	Last Reviewed	Next Review	Future Review Dates	Future Review Dates
Legal	2005	2016	2018	2023
Investment Consultant	1997	2016	2019	2024
Custodian Bank	2013		2020	2025
Medical Director		2016	2021	2026
Actuary	2011	2017	2022	2027

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

Re: Fiduciary Due Diligence Policy

Adopted: DRAFT

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

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

WHEREAS, prudent administration requires the Board to diversify its investments and hold meetings with its investment managers, limited liability partnerships, real estate managers, and other professional service providers to enable the Board to effectively monitor the performance of its investment professionals to minimize the risk of loss and optimize the investment rate of return, and

WHEREAS, the Board conducts its due diligence for such investments to complement the due diligence performed on its behalf by its investment consultants(s) and other retained investment professionals, and

WHEREAS, the Board adopts this Fiduciary Due Diligence Policy to promote the Board's ability to achieve these goals, therefore it is

RESOLVED, that the following constitutes the Board's formal policy concerning due diligence:

Due Diligence Process for New Investments

- a. Due diligence on new investment managers shall be performed as part of the selection process. For those new investment or opportunities for which the Retirement System has an interest, subject to the constraints of time and cost effectiveness, it is the policy of the Retirement System to perform a due diligence review at an Investment Review Committee meeting and if deemed necessary, a visit to the proponent's primary business location.
- b. The Board may retain a registered Investment Advisor to assist in the due diligence process. Any certified Investment Advisor retained for this purpose shall not have any financial involvement or interest with any investment that is part of the Retirement System's portfolio.
- c. During the Due Diligence process for investment managers there is no limit to the extent of inquiry that the Retirement System may conduct as part of this

process. The Retirement System shall perform no less due diligence than is necessary to:

1. Evaluate an investment manager's staff and during on-site visits observe the manager's staff carry out their investment fiduciary responsibilities;
 2. Interview individuals who would directly manage the proposed investment;
 3. Evaluate the significance of the manager's personnel turnover or other organizational changes that may affect the proposed account;
 4. Review the systems and controls utilized in the investment of the proposed Retirement System assets;
 5. Conduct an in-depth review of the investment manager's philosophy, style and approach to investing Retirement System assets;
 6. Develop an understanding of the significance of short-term cycles of investment performance by the investment manager;
 7. Review the investment manager's performance reports, financial reports, technical standards and practices, and advisor reports filed with federal and state governments;
 8. Review the investment manager's analysis of industry trends, development and other events that reasonably may affect the retention or future retention of the investment manager; and
 9. For those investment managers of real estate portfolios the Board shall review reports and analysis of on-site visits.
- d. Trustees and/ or staff may travel as part of the Due Diligence Process. The Trustees, or the Retirement System's designee, participating in an on-site due diligence evaluation, shall provide a verbal report to the Board for the next following regular meeting, summarizing their findings and recommendations, if any. Any materials obtained during the on-site evaluation shall be available to other Trustees and staff for reference purposes. Any such travel shall be in accordance with the provisions for travel found in the Retirement System's Educational Seminar and Conference Policy.
- e. It is the policy of the Board to require reimbursement from proposing investment managers of the cost of due diligence performed in connection with the investment opportunity proposed as well as any other costs incurred in the preparation and execution of the requisite contract should the Board ultimately select the Investment Manager. Prior to initiation of the due diligence process, the investment manager shall provide the Retirement System an unconditional Letter of Credit drawn on a bank with offices within Jackson County and an expiration date of one year beyond the initiation of the due diligence policy process in the amount of \$100,000.00. This requirement may be waived by an affirmative vote of the Board in connection with a Request for Proposals issued by the Board, or by a 2/3 majority vote of the Retirement System if in the best interest of the Retirement System.

- f. The Retirement System may, upon the recommendation of the Investment Review Committee, deem the due diligence process satisfied if it selects an equity or fixed income investment opportunity through the use of a Request For Proposals or other process conforming to the Retirement System's Procurement Policy and Rules of Procedure.
- g. The due diligence process may be deemed satisfied for an investment opportunity if, by a majority vote, the Retirement System determines that the following conditions exist:
 - 1. The Retirement System has previously invested with the investment manager;
 - 2. The investment opportunity presented is similar to, or of the same type as the investments previously funded by the Retirement System;
 - 3. During the course of its relationship with the investment manager, the Retirement System has performed its own due diligence review on the investment professional;
 - 4. The investment manager has established its own due diligence process that meets or exceeds the requirement of this policy; or
 - 5. The investment opportunity presented to the Retirement System has passed the Retirement System's Investment Consultant's due diligence process.
- h. The Retirement System may, as it deems necessary, rely upon staff or retain outside professionals to assist it in performing due diligence reviews.
- i. Upon initially proposing an investment opportunity, the investment manager shall be advised of this policy by staff and shall state in writing whether the investment manager is willing to reimburse the due diligence costs associated with the proposed investment opportunity.
- j. Individuals or firms desiring to be considered to perform due diligence services may provide their qualifications and proposed fees to the investment consultant at any time. The investment consultant shall provide a list of qualified professionals to the Investment Review Committee, as requested.

Due Diligence Process for Current Investment Managers

- a. All investment managers currently retained by the Retirement System shall present a report to the Board of Trustees at least once per year, or more often as the Retirement System deems appropriate. The Retirement System may retain an Investment Consultant to assist in the due diligence process. Any certified Investment Consultant retained for this purpose shall not have financial involvement with any investments that are a part of the Retirement System's portfolio. Due diligence evaluation of real estate managers shall

- include on-site inspections of representative properties held in the Retirement System's account, which visits shall be accompanied by the investment manager and the individual property manager, if any;
- b. At the onset of the Due Diligence process, whether at the Investment Review Committee or the Board of Trustees level, every current investment or reinvestment presenter shall re-certify, in writing, at a minimum, that:
1. The presenter is aware that the Jackson County Employees' Retirement System is a governmental plan and trust under the provisions of the Internal Revenue Code and applicable law;
 2. That the Jackson County Employees' Retirement System is subject to Public Act 314 of 1965 of the State of Michigan, as amended, being MCL 38.1132 et seq., that the presenters are familiar with said statute and are particularly aware of Section 13 which refers to fiduciary duties;
 3. That although the Jackson County Employees' Retirement System is a governmental plan and trust not subject to the provisions of the Employees Retirement Income Security Act [ERISA], the Board expects presenters of investment proposals to be familiar with the fiduciary requirements of ERISA and to act consistent with the fiduciary requirement of Public Act 314 of 1965, as amended;
 4. Whether the presenters are registered investment advisors under federal and state law;
 5. Whether the presenters, any persons or entities involved in the proposed transaction are parties to any litigation, and if so, details regarding the litigation must be provided;
 6. Provide information and details indicating from whom and to whom any consulting fees, finder's fees, commissions, and/or similar payments will be paid in the event the Retirement System makes the proposed investment; and
 7. Provide a written statement that in the opinion of the presenters, the proposed investment is a suitable investment for a public employee retirement system given the prudence standard imposed by Michigan Public Act 314 of 1965, as amended.
- c. During the Due Diligence process for current investment managers there is no limit to the extent of inquiry that the Retirement System may conduct as part of this process. The Retirement System shall make inquiry, at a minimum, but not limited to the following:
1. Evaluate an investment manager's staff, and during on-site visits observe the manager's staff jointly carry out their fiduciary responsibilities to the Retirement System;
 2. Interview individuals who directly manage the investment;
 3. Evaluate the significance of the manager's personnel shifts or other

- organizational changes that may affect the Retirement System's account;
4. Review the systems and controls utilized in the investment of the Retirement System's assets;
 5. Conduct an in-depth review of the investment manager's philosophy, style and approach to investing and managing the Retirement System's assets;
 6. Develop a complete understanding of the significance of short-term cycles of investment performance by the investment manager;
 7. Review the investment manager's performance reports, financial reports, technical standards and practices, and advisor reports filed with federal and state governments;
 8. Review the investment manager's analysis of industry trends, development and other events that reasonably may affect the continued retention of the investment manager;
 9. For those investment managers of real estate portfolios the Retirement System shall review reports and analysis of on-site visits.
 10. Trustees and/ or staff may travel as part of the Due Diligence Process. The Trustees or such designees, participating in an on-site due diligence evaluation, shall provide a verbal report to the Retirement System at its next regular meeting, summarizing their findings and recommendations, if any. Any materials obtained during the on-site evaluation shall be available to other Trustees and staff for reference purposes. Any such travel shall be in accordance with the provisions for travel found in the Retirement System's Education Seminar and Conference Policy.
 11. It is the policy of the Board to require reimbursement from investment managers of the cost of due diligence performed in connection with the Jackson County Employees' Retirement System investments. Upon an investment manager initially proposing a due diligence visit, the investment manager shall be advised of this policy by staff and shall state, in writing, their willingness to reimburse the due diligence costs associated with the proposed on-site visit. Prior to initiation of the due diligence process, the investment manager shall provide the Retirement System an unconditional Letter of Credit drawn of a bank with offices within Jackson County and an expiration date of one year beyond the initiation of the due diligence policy process in the amount of \$100,000.00. Failure of the investment manager to reimburse the Board shall result in an offset against any management fees due that investment manager or any other remedy available to the Board. This requirement may be waived by a 2/3 majority vote of the Retirement System, if in the best interests of the Retirement System.
- d. Individuals or firms desiring to be considered to perform due diligence services, may provide their qualifications and proposed fees to the Investment Consultant at any time. The Investment Consultant shall provide a list of

qualified professionals to the Investment Review Committee, as requested.

Due Diligence Process for Current and Prospective Alternative Investments

In accordance with the Retirement System's Investment Policy Statement and Manager Guidelines, all decisions to invest in investments qualified under Section 20d of Public Act 314 of 1965, as amended ("Act 314") [MCL 38.1140d] (i.e., the "basket clause"), shall be made only after reasonable and appropriate due diligence conducted by the Retirement System.

Probation/Watch List

The Board of Trustees may place an investment manager on probationary status and its Watch List in accordance with the procedures outlined in its Investment Policy Statement.

Review and Modification

The Retirement System shall review this Due Diligence Policy at least once every three years to assure its efficacy and relevance. This Due Diligence Policy may be amended from time to time by majority vote of the Retirement System.

Effective Date

This Policy and such rules within shall take effect immediately following adoption by the Retirement System.

and it is further

RESOLVED, that copies of this Resolution be posted on the Jackson County Employees' Retirement webpage in the normal course.

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

Re: Good Corporate Governance and Proxy Voting

Adopted:

DRAFT

WHEREAS, the Retirement System 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, 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, an integral part of the Board's fiduciary duty is to preserve and protect the assets of the Retirement System through the active discharge of its duty of care and prudent management of plan assets, and

WHEREAS, in light of its fiduciary responsibility, the Board recognizes that it is in the best interests of the Retirement System and its participants and beneficiaries to retain the services of qualified professionals including investment consultants, investment managers, investment banks/brokers, custodians, actuaries, auditors, and attorneys to manage and oversee the assets of the Retirement System and has established guidelines regarding the investment of plan assets and the management of the Retirement System, and

WHEREAS, the Board acknowledges that as a public retirement system and institutional investor, the Retirement System is in a favorable position to advance corporate reform, to combat corporate fraud, mismanagement, and breaches of duty, and to establish standards of integrity and corporate responsibility which will enhance the investment performance of the Retirement System and minimize the potential occurrence and impact of corporate abuses, therefore it is

RESOLVED, that the following represents the Board's policy concerning good corporate governance, and that all of the Retirement System retained professionals shall strictly adhere to the following policy and conduct themselves accordingly.

INVESTMENT PROTECTION PRINCIPLES

Every financial organization and its agents that the Retirement System retains shall be required to adopt and comply with the following Investment Protection Principles:

1. Sever the link between compensation for analysts and investment banking.
2. Prohibit investment banking input into analyst compensation.

3. Create a review process to approve all research recommendations.
4. Require that upon discontinuation of research coverage of a company, firms will disclose the coverage termination and the rationale for such termination.
5. Disclose in research reports whether the firm has received or is entitled to receive any compensation from a covered company over the past 12 months.
6. Establish a monitoring process to ensure compliance with the principles.

Every investment fiduciary retained by the Retirement System or its agents must abide by the following:

1. Investment fiduciary must adopt safeguards to ensure that potential conflicts of interest do not influence investment decisions made on behalf of the Retirement System.
2. Investment fiduciary must disclose any personal or business relationships with any person or firm doing business with the Retirement System, including potential conflicts of interest arising from client and corporate parent relationships.
3. Investment fiduciary must disclose any relationship, including management of corporate 401(k) plans, where the investment fiduciary could invest Retirement System assets in the securities of the entity.
4. Investment fiduciary firms must disclose annually the manner in which they are compensated for services related to the Retirement System, including but not limited to any compensation resulting from consulting fees, brokerage revenues, conference fees, sponsorships, the solicitation or acquisition of new clients or the retention of existing clients.
5. Investment fiduciary shall report quarterly the amount of commissions paid to broker-dealers, and the percentage of commissions paid to broker-dealers that have publicly announced that they have adopted the Investment Protection Principles.
6. Investment fiduciary firms affiliated with banks, investment banks, insurance companies or other financial services corporations shall adopt safeguards to ensure that client relationships of any affiliate company do not influence investment decisions of the investment fiduciary firm. Each investment fiduciary firm shall provide the Retirement System with a copy of the safeguards plan and shall certify annually to the Retirement System that such plan is being fully enforced.
7. In making investment decisions, investment fiduciary firms must consider the quality and integrity of the subject company's accounting and financial data, including its 10-K, 10-Q and other public filings and statements, as well as whether the company's outside auditors also provide consulting or other services to the company.
8. In deciding whether to invest Retirement System assets in a company, investment fiduciary firms must consider the corporate governance policies and practices of the subject company.

CORPORATE GOVERNANCE PRINCIPLES

In its promotion of good corporate governance, the Board states that its investment fiduciaries shall promote the following core corporate governance policies:

1. Corporate Board Independence and Leadership;
2. Favorable Shareholders Rights and Proxy Voting;
3. Reasonable Corporate Director/Executive Compensation; and
4. Accountability of Individuals and Information.

CORPORATE BOARD OF DIRECTORS

Annual Election of Directors. All directors should be elected annually (no classified boards).

Independent Board. At least two-thirds of the directors should be independent (i.e., their only non-trivial professional, familial or financial connection to the corporation, its chairman, CEO or any other executive officer is their directorship). The company should disclose information necessary for shareholders to determine whether directors qualify as independent, whether or not the disclosure is required by state or federal law. This information should include all financial or business relationships with and payments to directors and their families and all significant payments to companies, non-profits, foundations and other organizations where company directors serve as employees, officers or directors.

All-Independent Board Committees. Companies should have audit, nominating and compensation committees, and all members of these committees should be independent.

The board (not the CEO) should appoint the committee chairs and members. Committees should be able to select their own service providers. Some regularly scheduled committee meetings should be held with only the committee members (and, if appropriate, the committee's independent consultants) present. The process by which committee members and chairs are selected should be disclosed to shareholders.

CORPORATE BOARD ACCOUNTABILITY TO SHAREHOLDERS

Majority Shareholder Votes. Corporate boards should take actions recommended in shareholder proposals that receive a majority of votes cast for and against. If shareholder approval is required for the action, the board should submit the proposal to a binding vote at the next shareholder meeting

Interaction with Shareholders. Directors should respond to communications from shareholders and should seek shareholder views on important governance, management and performance matters. All directors should attend the annual

shareholders' meeting and be available, when requested by the chair, to answer shareholder questions.

Shareholder-Director Communication. All companies should establish a mechanism by which shareholders with non-trivial concerns could communicate directly with all directors, including independent directors. At a minimum, there should be an open meeting in connection with the company's annual meeting (before or after) in which shareholders could ask questions and communicate their concerns to the independent directors.

Board Evaluation. Boards should evaluate themselves and their individual members on a regular basis. Board evaluation should include an assessment of whether the board has the necessary diversity of skills, backgrounds, experiences, ages, races and genders appropriate to the company's ongoing needs. Individual director evaluations should include high standards for in-person attendance at board and committee meetings and disclosure of all absences or conference call substitutions.

Boards should review the performance and qualifications of any director from whom at least 10 percent of the votes cast are withheld.

Absent compelling and stated reasons, directors who attend fewer than 75 percent of board and board-committee meetings for two consecutive years should not be renominated. Companies should disclose individual director attendance figures for board and committee meetings. Disclosure should distinguish between in-person and telephonic attendance. Excused absences should not be categorized as attendance.

Continuing Directors. Corporations should not adopt so-called "continuing director" provisions (also known as "dead-hand" poison pills) that allow former directors who have left office to take action on behalf of the corporation.

Board Size and Service. Absent compelling, unusual circumstances, a board should have no fewer than 5 and no more than 15 members (not too small to maintain the needed expertise and independence, and not too large to be efficiently functional). Shareholders should be allowed to vote on any major change in board size.

Companies should establish and publish guidelines specifying on how many other boards their directors may serve. Absent unusual, specified circumstances, directors with full-time jobs should not serve on more than two other boards. Currently serving CEOs should only serve as a director of one other company, and then only if the CEO's own company is in the top half of its peer group. No person should serve on more than five for-profit company boards.

Board Operations. Directors should receive training from independent sources on their fiduciary responsibilities and liabilities. Directors have an affirmative obligation to become and remain independently familiar with company operations; they should not rely exclusively on information provided to them by the CEO to do their jobs.

Directors should be provided meaningful information in a timely manner prior to board meetings, and should be allowed reasonable access to management to discuss board issues. Directors should be allowed to place items on board agendas.

The board should hold regularly scheduled executive sessions without the CEO or staff present. The independent directors should also hold regularly scheduled in-person executive sessions without non-independent directors and staff present.

If the CEO is chairman, a contact director should be specified for directors wishing to discuss issues or add agenda items that are not appropriately or best forwarded to the chair/CEO.

The board should approve and maintain a CEO succession plan.

INDEPENDENT AUDITOR

Auditor Independence. As prescribed by law, the audit committee has the responsibility to hire, oversee and, if necessary, fire the company's outside auditor.

The audit committee should seek competitive bids for the external audit engagement no less frequently than every five years.

The company's external auditor should not perform any non-audit services for the company, except those required by statute or regulation to be performed by a company's external auditor, such as attest services.

The proxy statement should also include a copy of the audit committee charter and a statement by the audit committee that it has complied with the duties outlined in the charter.

SHAREHOLDER VOTING RIGHTS

The shareholders' right to vote is inviolate and should not be abridged.

Access to the Proxy. Companies should provide access to management proxy materials for a long-term investor or group of long-term investors owning in aggregate at least 5 percent of a company's voting stock to nominate less than a majority of the directors. Eligible investors must have owned the stock for at least three years. Company proxy materials and related mailings should provide equal space and equal treatment of nominations by qualifying investors.

One Share, One Vote. Each share of common stock should have one vote. Corporations should not have classes of common stock with disparate voting rights. Authorized unissued common shares that have voting rights to be set by the board should not be issued with unequal voting rights without shareholder approval.

Confidential Voting. All proxy votes should be confidential, with ballots counted by independent tabulators. Confidentiality should be automatic and permanent and apply to all ballot items. Rules and practices concerning the casting, counting and verifying of shareholder votes should be clearly disclosed.

Voting Requirements. A majority vote of common shares outstanding should be sufficient to amend company bylaws or take other action requiring or receiving a shareholder vote. Supermajority votes should not be required.

A majority vote of common shares outstanding should be required to approve:

1. Major corporate decisions concerning the sale or pledge of corporate assets that would have a material effect on shareholder value. Such a transaction will automatically be deemed to have a material effect if the value of the assets exceeds 10 percent of the assets of the company and its subsidiaries on a consolidated basis.
2. The corporation's acquiring 5 percent or more of its common shares at above-market prices other than by tender offer to all shareholders.
3. Abridging or limiting the rights of common shares to (i) vote on the election or removal of directors or the timing or length of their term of office, or (ii) make nominations for directors or propose other action to be voted on by shareholders, or (iii) call special meetings of shareholders or take action by written consent or affect the procedure for fixing the record date for such action.
4. Severance payments in excess of two times the person's average annual compensation for the previous three years.
5. Provisions resulting in the issuance of debt to a degree that would excessively leverage the company and imperil the long-term viability of the corporation.

Broker Votes. Broker non-votes and abstentions should be counted only for purposes of a quorum.

Bundled Voting. Shareholders should be allowed to vote on unrelated issues separately. Individual voting issues, particularly those amending a company's charter, bylaws or anti-takeover provisions, should not be bundled.

Stock Option Plans. Shareholder approval should be required for all equity-based compensation plans that include any director or executive officer of the company, and on plans where the number of reserved shares, together with the company's outstanding equity-based awards and shares available for grant, may have a material impact on the capital structure of the company and the ownership interests of its shareholders (generally, 5 percent dilution).

SHAREHOLDER MEETINGS

Corporations should make shareholders' expense and convenience primary criteria when selecting the time and location of shareholder meetings.

Appropriate notice of shareholder meetings, including notice concerning any change in meeting date, time, place or shareholder action, should be given to shareholders in a manner and within time frames that will ensure that shareholders have a reasonable opportunity to exercise their franchise.

Polls should remain open at shareholder meetings until all agenda items have been discussed and shareholders have had an opportunity to ask and receive answers to questions concerning them.

Companies should not adjourn a meeting for the purpose of soliciting more votes to enable management to prevail on a voting item. Extending a meeting should only be done for compelling reasons such as vote fraud, problems with the voting process or lack of a quorum.

Companies should hold shareholder meetings by remote communication (so-called electronic or "cyber" meetings) only as a supplement to traditional in-person shareholder meetings, not as a substitute.

As noted previously, all directors should attend the annual shareholders' meeting and be available, when requested by the chair, to answer shareholder questions.

COMPENSATION

Annual approval of at least a majority of a corporation's independent directors should be required for the CEO's compensation, including any bonus, severance, equity-based and/or extraordinary payment.

Boards should award CEOs no more than one form of equity-based compensation.

Pay for directors and managers should be indexed to peer or market groups, absent unusual and specified reasons for not doing so. Boards should consider options with forward contracts to align managers' interests with shareholders'.

Change-in-Control Provisions. Change-in-control provisions in compensation plans and compensation agreements should be "double-triggered," stipulating that compensation is payable only (1) after a control change actually takes place and (2) if a covered executive's job is terminated as a result of the control change.

Director Stock Ownership. Absent unusual and compelling circumstances, all directors should own company common stock, in addition to any options and unvested shares granted by the company. Directors should own a meaningful position in the company's common stock, appropriate to their personal circumstances.

Directors should be compensated only in cash or stock, with the majority of the compensation in stock.

Option Repricing. Unless submitted to shareholders for approval, no options should be repriced or replaced, and no discount options should be awarded.

Companies should disclose in the annual proxy statement whether they have rescinded and re-granted options exercised by executive officers during the prior year or if executive officers have hedged (by buying puts and selling calls or employing other risk-minimizing techniques) shares awarded as stock-based incentive or acquired through options granted by the company. Such practices reduce the risk of stock-based incentive compensation awarded to executive officers and should be disclosed to shareholders.

Stock Option Expensing. Since stock options granted to employees, directors and non-employees are compensation and have a cost, companies should include these costs as an expense on their reported income statements with appropriate valuation assumptions disclosed.

POLICY MONITORING

The Board shall receive:

1. Annual statements from professionals as to compliance with Retirement System policies, investment guidelines and applicable laws and regulations.
2. Policy statement or procedure which ensures that potential conflicts of interest do not influence investment decisions made on behalf of the Retirement System.
3. Immediate disclosure of any litigation, regulatory action or investigation regarding the company or its representatives.
4. Timely disclosure of any changes in personnel.
5. Proxy voting policies and procedures adopted by Investment Manager. Investment Manager shall maintain proxy voting policies and procedures in accordance with applicable rules, including those adopted by the Securities and Exchange Commission (SEC) and provide notification as to any amendments.
6. Written acknowledgment by the Investment Manager of its responsibility to vote proxies on the Board's behalf and an annual record of those proxy votes cast by the Investment Manager on behalf of the Retirement System.

and it is further

RESOLVED, that the Board shall actively review and monitor its past and present investment holdings to determine compliance with the principles stated herein, and it is further

RESOLVED, that the Board, through its legal counsel, shall enforce any violations of Retirement System policies or applicable law or regulations and shall prudently pursue those claims which are in the best interest of the Retirement System, and it is further

RESOLVED, that the Board shall continue to advance the principles stated herein through its active participation in educational programs and shall obtain those materials and services necessary for the performance of its duties to the Retirement System, and it is further

RESOLVED, that the principles set forth are designed to assure that in making investment decisions, the investment fiduciary firms give specific consideration to the subject information and are not intended to preclude or require investment in any particular company or in a manner inconsistent with the Public Employee Retirement System Investment Act, Public Act 314 of 1965, as amended (MCL 38.1121et seq.) or the Retirement System's investment policies or guidelines, and it is further

RESOLVED, that copies of this Resolution be posted on the Jackson County Employees' Retirement webpage.