

**Adams County Retirement Plan  
Strategic Asset Allocation and Investment Structure  
October 2013**

**Purpose of the Strategic Asset Allocation and Investment Structure**

This document is intended to supplement the Statement of Investment Policy (“IPS”) of the Adams County Retirement Plan. The IPS is long term in nature while this Strategic Asset Allocation and Investment Structure (“Investment Strategy”) document is designed to be reviewed, and if necessary revised, annually by the Board of the Adams County Retirement Plan (“Board”).

The Investment Strategy includes the following:

- Strategic asset class targets and ranges, refined within the IPS allowable ranges,
- Investment structure including the investment strategies utilized, the investment management firm, fees, and product inventory,
- Actuarial assumed rate of return,
- Liquidity Policy,
- Performance benchmarks for the Total Plan and subcomponents, and
- Contact information for vendors involved with the investments of the Plan.

**Strategic Asset Class Targets and Ranges**

<u>Asset Class</u>	<u>Current Target</u>	<u>Allowable Range</u>
Private Equity	2.5%	0% - 5%
Non-U.S. Equities	15.0%	10% - 20%
U.S. Equities	<u>32.5%</u>	<u>27.5% - 37.5%</u>
Total Equities	50.0%	45% - 55%
Private Equity Real Estate	10.0%	5% - 15%
Hedge Fund-of-Funds	<u>15.0%</u>	<u>10% - 20%</u>
Total Alternatives	25.0%	15% - 35%
Fixed Income	25.0%	20% - 30%

## Investment Management Structure

Investment Manager	Investment Product	Investment Fees	Investment Style	Target Allocation
Mesirow Private Equity Investments	Equity Partnership Fund III, L.P.	1.0% of Committed Capital	Private Equity Multi-Strategy	0.83%
	Equity Partnership Fund IV, L.P.	1.0% of Committed Capital	Private Equity Multi-Strategy	0.83%
Adams Street Partners	Partnership Fund Program – 2012 Global Offering	0.5% Year1, 0.75% Year 2, 1.0% on first \$25 million, 10% decline per year after year 7	Private Equity Multi-Strategy	0.83%
Dimensional Fund Advisors	DFA World ex-US Value fund, Ticker DFWVX	0.90% Expense Ratio	Non-U.S. Equity Value	5.0%
American Funds	EuroPacific Growth fund – R6, Ticker RERGX	0.50% Expense Ratio	Non-U.S. Equity Core Growth	5.0%
Aberdeen Asset Management	Aberdeen Emerging Markets Equity fund, Ticker ABEMX	1.05% Expense Ratio	Emerging Markets Equity	5.0%
State Street Global Advisors	S&P 500 Flagship Commingled Fund: (IRS Rev. Rul. 81-100 fund)	0.05% of first \$50 million 0.04% on next \$50 million	U.S. Equity S&P 500 Index	10.0%
T. Rowe Price Associates	Institutional U.S. Structured Research fund, Ticker TRISX	0.55% Expense Ratio	U.S. Equity Structured Core	7.0%
Vanguard Group	Vanguard Dividend Growth fund, Ticker VDIGX	0.29% Expense Ratio	U.S. Equity Dividend Growth	7.0%
Pyramis Global Advisors	Smid Cap Core Commingled fund: (IRS Rev. Rul. 81-100 fund)	0.65% of Assets	U.S. Equity Smid Cap Core	3.5%
Tortoise Capital Advisors	Master Limited Partnership (MLP) Separate Account	0.75% of Assets	U.S. Equity MLPs	5.0%
GAM Limited	GAM US Institutional Trading II L.P.	1.2% of Assets	Hedge Fund of Funds Macro Trend	5.0%
Grosvenor Capital Management	Grosvenor Institutional Partners, L.P.	1.25% on first \$25 million 1.00% on next \$25 million	Hedge Fund of Funds Multi-Strategy	5.0%

<b>Investment Manager</b>	<b>Investment Product</b>	<b>Investment Fees</b>	<b>Investment Style</b>	<b>Target Allocation</b>
Principal Real Estate Investors	U.S. Property Account	1.1% under \$10 million 1.0% over \$10 million	Private Equity Real Estate	10.0%
Principal Real Estate Investors	Real Estate Debt Fund	0.65% of Assets 8% Preferred Return	Private Real Estate Debt	5.0%
Denver Investments	Separate Account	0.30% on first \$25 million 0.25% on the balance	Core Fixed Income	7.5%
Pacific Investment Management Company	PIMCO Total Return fund - Institutional, Ticker PTTRX	0.46% Expense Ratio	Core Plus Fixed Income	7.5%
Pacific Investment Management Company	PIMCO Unconstrained Bond fund - Institutional, Ticker PFIUX	0.90% Expense Ratio	Absolute Return Fixed Income	5.0%
Babson Capital Management LLC	Floating Rate Income Fund – Commingled fund	0.48% of Assets	Senior Secured Floating Rate Loans	5.0%

### **Actuarial Assumed Rate of Return**

The current actuarial assumed rate of return is 7.5%

### **Liquidity Policy**

The IPS states that the Executive Director of the Plan will determine the appropriate level of cash reserves depending on the anticipated liquidity needs. Based on the current liquidity requirements, the Executive Director has determined that the current liquidity requirements are \$1 million. When the balance exceeds \$1.5 million, excess reserve cash will be transferred into the invested assets. When the balance falls below \$200,000, the cash reserves will be replenished to \$1 million by liquidation of invested assets. The Executive Director, with the assistance of the Investment Consultant, will coordinate all investment manager cash inflows and outflows with the effected products and with the Plan’s custodial bank.

## Performance Benchmarks

The Plan's investments, in total, by asset class and individual manager, will be measured against appropriate benchmarks. Unless otherwise stated, performance will be compared on a net-of-investment management fees basis.

Total Plan Benchmarks:

Absolute Return:	7.5%		
Relative Return:		Public Defined Benefit Pension Plans	
Benchmark Index:	50%	MSCI All Country World	(Equities)
	10%	NFI ODCE Equal Weighted Net	(Real Estate Equity)
	5%	Real Estate Debt Index	(Real Estate Debt)
	10%	HFRI Fund of Funds Composite	(Hedge FOF)
	20%	Barclays Capital Aggregate Bond	(Fixed Income)
	5%	Credit Suisse Leverage Loan	(Floating Rate Loans)

## Investment Product Benchmarks

<b>Investment Product</b>	<b>Relative Universe</b>	<b>Passive Benchmark Index</b>
Mesirow Equity Partnership Fund III, L.P.	N/A	Custom Index
Mesirow Equity Partnership Fund IV, L.P.	N/A	Custom Index
Adams Street Partnership Fund Program – 2012 Global Offering	N/A	Custom Index
DFA World ex-US Value fund	Non-U.S. Equity – Value	MSCI All Country World ex-U.S. Value
EuroPacific Growth fund – R6	Non-U.S. Equity	MSCI All Country World ex-U.S.
Aberdeen Emerging Markets Equity fund	Emerging Markets	MSCI Emerging Markets
SSgA S&P 500 Flagship Commingled Fund	U.S. Equity – Large Cap Core	S&P 500
T. Rowe Price Institutional U.S. Structured Research fund	U.S. Equity – Large Cap Core	S&P 500
Vanguard Dividend Growth fund	U.S. Equity – Large Cap Core	S&P 500
Pyramis Smid Cap Core Commingled fund	U.S. Equity – Smid Cap Core	Russell 2500
Tortoise Master Limited Partnership (MLP) Separate Account	N/A	Alerian MLP
GAM US Institutional Trading II L.P.	Hedge Fund of Funds	HFR Fund of Funds Macro
Grosvenor Institutional Partners, L.P.	Hedge Fund of Funds	HFR Fund of Funds Conservative
Principal U.S. Property Account	N/A	NFI ODCE Net of Fee
Principal Real Estate Debt Fund	N/A	8% net of fee return
Denver Investments Government Credit Bond Separate Account	U.S. Fixed Income – Core	Barclays Capital Government/Credit
PIMCO Total Return fund - Institutional	U.S. Fixed Income – Core	Barclays Capital Aggregate
PIMCO Unconstrained Bond fund - Institutional	N/A	90-Day Libor plus 3%
Babson Floating Rate Income Fund – Commingled fund	N/A	Credit Suisse Leveraged Loan

## Vendor Information

### **Investment Consultant:** Inception January 1999

Watershed Investment Consultants, Inc.  
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### **Trustee Bank:** Inception April 1998

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Gabriel, Roeder, Smith & Company: October 2011  
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**Plan Auditor:** Inception November 2009

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Fund IV inception Apr 2007  
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**GAM Limited (GAM USA Inc.): Inception October 2010**

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**Principal Global Investors: Inception U.S. Property July 2004, Real Estate Debt Oct 2013**

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