

**Adams County Retirement Plan
Strategic Asset Allocation and Investment Structure
March 2016**

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:

- Actuarial assumed rate of return,
- Strategic asset class targets and ranges, refined within the IPS allowable ranges,
- Liquidity Policy,
- Investment structure and performance benchmarks for the Total Plan and subcomponents, and
- Contact information for vendors involved with the investments of the Plan.

Actuarial Assumed Rate of Return

The current actuarial assumed rate of return is 7.5%

Strategic Asset Class Targets and Ranges

| <u>Asset Class</u> | Current Target | Allowable Range |
|---------------------|----------------|------------------|
| Private Equity | 5% | 0% - 10% |
| Public Equities | <u>50%</u> | <u>40% - 55%</u> |
| Total Equities | 55% | 40% - 65% |
| Hedge Fund-of-Funds | 10% | 5% -15% |
| Real Estate | 20% | 10% - 25% |
| Fixed Income | 15% | 10% - 25% |

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.

Investment Structure and 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: | 45% | MSCI All Country World | (Stocks) |
| | 10% | Alerian MLP | (Master Limited Partnerships) |
| | 10% | HFRI Fund of Funds | (Hedge FOF) |
| | 10% | NFI ODCE Net of Fees | (Private Core Equity Real Estate) |
| | 5% | NCREIF Property | (Private Value-add Equity Real Estate) |
| | 5% | 8% Net of Fees | (Private Debt Real Estate) |
| | 10% | Barclays Capital U.S. Aggregate Bond | (Core and Core Plus Bonds) |
| | 5% | Credit Suisse Leverage Loan | (Floating Rate Loans) |

Investment Management Structure and Benchmarks:

| Investment Manager | Investment Product | Fee Structure | Investment Style/Universe | Benchmark Index | Target Allocation |
|---------------------------------|---|---|--------------------------------------|---------------------------------|--------------------------|
| Private Equity Program | Multiple Managers/Products | Varies | Private Equity | | 5% |
| 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 | S&P 500 | 15% |
| Tortoise Capital Advisors | Master Limited Partnership (MLP) Separate Account | 0.75% of Assets | U.S. Equity MLPs | Alerian MLP | 10% |
| Pyramis Global Advisors | Smid Cap Core Commingled fund: (IRS Rev. Rul. 81-100 fund) | 0.65% of Assets | U.S. Equity Smid Cap Core | Russell 2500 | 5% |
| Dimensional Fund Advisors | DFA World ex-US Value fund, Ticker DFWVX | 0.60% Expense Ratio | Non-U.S. Equity Value | MSCI ACW ex-US Value | 10% |
| American Funds | EuroPacific Growth fund – R6, Ticker RERGX | 0.49% Expense Ratio | Non-U.S. Equity Core Growth | MSCI ACW ex-US | 10% |
| 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 | HFR Fund of Funds - Diversified | 5% |
| Visium Asset Management | Visium Global Offshore Fund Ltd – commingled Fund | 2.0% of Assets 20% Performance Fee | Multi-Strategy Hedge fund | HFR Multi-Strat | 5% |
| Principal Real Estate Investors | Principal U.S. Property Account: Insurance SA | 1.1% under \$10 million 1.0% over \$10 million | U.S. Private Core Equity Real Estate | NFI ODCE | 10% |

| Investment Manager | Investment Product | Fee Structure | Investment Style/Universe | Benchmark Index | Target Allocation |
|---------------------------------|---|--|---|-----------------------------|--------------------------|
| Harbert Management Corporation | Harbert United States Real Estate Fund V – Commingled fund | 1.5% of Committed/Managed Assets 20% incentive over 9% Preferred | U.S. Private Value-add Equity Real Estate | NCREIF Property | 0 -5% |
| | Harbert United States Real Estate Fund VI – Commingled fund | 1.25% of Committed/Managed Assets 20% incentive over 9% Preferred | U.S. Private Value-add Equity Real Estate | NCREIF Property | 0 -5% |
| Principal Real Estate Investors | Principal Real Estate Debt Fund – Commingled fund | 0.65% of Assets 15% incentive over 8% Preferred | U.S. Private Debt Real Estate | 8% Net of Fee | 5% |
| Denver Investments | Separate Account | 0.30% on first \$25 million 0.25% on the balance | Core Fixed Income | Barclays Govt./Credit | 5% |
| PIMCO | PIMCO Total Return fund – Institutional, Ticker PTTRX | 0.46% Expense Ratio | Core Plus Fixed Income | Barclays Aggregate | 5% |
| Babson Capital Management LLC | Floating Rate Income Fund – Commingled fund | 0.48% of Assets | Senior Secured Floating Rate Loans | Credit Suisse Leverage Loan | 5% |

Private Equity Program Structure:

| Management Firm | Investment Product | Vintage | Investment Fees | Investment Style |
|------------------------------------|---|----------------|---|---|
| Mesirow Private Equity Investments | Equity Partnership Fund III, L.P. | 2005 - 2007 | 1.0% of Committed Capital | Private Equity Multi-Strategy FOF |
| | Equity Partnership Fund IV, L.P. | 2007 - 2009 | 1.0% of Committed Capital | Private Equity Multi-Strategy FOF |
| Adams Street Partners | Partnership Fund Program – 2012 Global Offering | 2012 – 2014 | 0.5% Year1, 0.75% Year 2, 1.0% on first \$25 million, 10% decline per year after year 7 | Private Equity Multi-Strategy FOF |
| NGP Energy Capital Management | NGP Natural Resources XI, L.P. | 2015 – 2017 | 1.5% of Committed Capital 20% Carry over 8% Preferred | North American Energy |
| Strategic Value Partners, LLC | Strategic Value Partners Special Situations III, L.P. | 2015 – 2017 | 1.75% of Committed Capital 20% Carry over 8% Preferred | Global Distressed Debt and Special Situations |

Vendor Information

Investment Consultant: Inception January 1999

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