

# Master Statement of Investment Policy



## Master Statement of Investment Policy Statement (“MSOP”)

for

## Macon - Bibb County Other Post Employment Benefits (OPEB)

April 2014

(Amended September 2014)  
(Second Amendment January 2016)

# Master Statement of Investment Policy

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Public Retirement Systems Investment Authority Law, O.C.G.A. 47-20-80 *et seq.*

# Master Statement of Investment Policy

## I. Introduction

### Purpose of this Master Statement of Investment Policy

The purpose of this Master Statement of Investment Policy ("MSOP") is: 1) to establish a clear understanding of the Trust's purpose, investment philosophy and investment goals which Macon – Bibb County Commission ("MBCC") and their designated representative(s) judge to be appropriate and prudent for the management of the Trust Assets, in consideration of the needs of the Trust's participants and beneficiaries and in compliance with the Public Retirement Systems Investment Authority Law, O.C.G.A. 47-20-80 *et seq.* and, 2) to provide asset allocation and Investment Manager implementation guidelines that are most suitable to meet those goals. It is designed to be the basis for all future investment decisions and serves the following purposes:

- Provides a guide and accountability framework for investment decision makers;
- Identifies goals;
- Creates a mechanism and a discipline for all future investment decisions.

The MSOP requires the following steps that are incorporated in this document: 1) assess the current situation, 2) set objectives and 3) develop a strategy for meeting those objectives. There are six main elements:

- Establish reasonable expectations and guidelines for the investment of the portfolio's assets;

- Define permitted asset classes and allocation among the asset classes;
- Create a framework and process for selecting suitable asset classes and investment managers;
- Create a mechanism for measuring and tracking portfolio performance against relevant benchmarks or other criteria;
- Define standards for making ongoing adjustments based on changing market conditions, needs and/or changing circumstances;
- Define responsibilities for administrative support and communication for all interested entities.

These policies will be reviewed by the MBCC and its designated representative(s) periodically and revised as necessary to ensure they adequately reflect the current financial requirements of the Trust and the capital markets.

### Definitions

1. Macon – Bibb County Commission refers to the persons governing the Trust established to administer and manage the assets of the Trust in compliance with the Public Retirement Systems Investment Authority Law, O.C.G.A. 47-20-80 *et seq.*
2. "Investment Fiduciary" means any

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person, or group of persons who performs any of the following functions:

(a) Exercises any discretionary authority or control in the investment of the Trust's assets;

(b) Has acknowledged in writing that the firm is an Investment Fiduciary with respect to the assets of the Trust.

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## Investment Objectives

MBCC recognizes the following factors in establishing investment objectives:

- The MSOP is primarily designed to measure the overall long term results of the Trust through the effectiveness of the manager and style selection correlations in achieving the overall expected returns that are also in line with the risk objectives and investment parameters established in the MSOP. To that end, achieving the overall results of the total Trust are more important than the Individual Manager selections and style results in assessing the top three investment objectives for the Trust;
- Various managers, and style segments, of the markets cycle in and out of favor over a completed market cycle and the objective is not to time the markets or style segments by making such bets, but to coordinate an overall investment plan that meets the Trust's overall objectives and reduces the risk associated with market and style segment timing;
- Since the overall results of the manager and style correlations are the primary focus of the performance measurement and benchmark objectives, then the Individual Managers and style selection benchmark considerations are secondary to the overall objectives and performance expectations for the Trust.

The MSOP is designed to meet the following objectives:

- Provide coordination and efficiency with investable assets;

- Meet or exceed the benchmarks established for the combined portfolio and each manager over a complete market cycle;
- Meet or exceed the investment return objectives contained in the actuarial assumptions;
- Preserve and grow principal to combat the effects of inflation and to grow assets to meet future needs of the Trust, over a complete market cycle;
- Mitigate risk through prudent and proper company, sector and asset diversification;
- Create a mechanism for measuring and tracking portfolio performance against the appropriate benchmarks;
- Serve as a reference tool, an operating code, and a communications link between the MBCC, consultants, Investment Managers, custodian and other professional advisers.

*The top three investment objectives are:*

- (1) **Long Term Growth of Capital** while avoiding excessive risk to grow the Trust assets to cover future benefit payments and expenses;
- (2) **Income and Growth** to achieve a balanced return of current income and growth of principal;
- (3) **Average, annual, nominal return of 6.0%, the actuarial assumed rate of return.**

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The investment time horizon will be considered long term, incorporating a full economic cycle of both economic expansions and recessionary periods. A minimum time horizon is 10 years.

*This MSOP is intended to be a summary of an investment philosophy*

*that provides guidance to the MBCC. It is understood that there can be no guarantees about the attainment of goals or investment objectives outlined here.*

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## II. Information about OPEB and this Trust

### **Macon – Bibb County Commission**

700 Poplar St.

Macon, GA 31202

Phone:

(478) 751-7244

Email: [contact@maconbibb.us](mailto:contact@maconbibb.us)

### **Primary Contacts**

Christy W. Iuliucci, *Finance Director*

Email: [Cluliucci@maconbibb.us](mailto:Cluliucci@maconbibb.us)

Dale M. Walker, *County Manager*

Email: [Dale.Walker@maconbibb.us](mailto:Dale.Walker@maconbibb.us)

### **Portfolio Value\***

\$18,840,951 (*Market value 12/31/ 2015*)

### **Purpose and Scope of the Trust**

The Trust currently has 302 participants receiving benefits. It is to be used for the accumulation and investment of funds solely for the purpose of funding tax-exempt health care under the plan for eligible Retirees and their Spouses and Dependents. An investment portfolio is maintained to invest employer contributions and to reinvest income. The Trust is financed by employer contributions and is actuarially determined. The Trust was established March 19, 2008. The plan is currently underfunded with a ratio of 19%

The valuation indicates that the Annual Required Contribution (ARC) under GASB Statement 45 is 20.27% of active member payroll for the fiscal year ending June 30, 2016. The Trust was closed to new entrants effective May 1, 2011. Therefore, there has been a switch to a level dollar closed 30-year period amortization of the unfunded

accrued liability. There are 26 years remaining in the amortization period.

### **Governance**

The Trust is administered and managed by the Macon – Bibb County Commission consisting of nine (9) members.

### **Time Horizon and Risk Tolerance**

The investment time horizon will be considered long term, incorporating a full economic cycle of both economic expansions and recessionary periods. Minimum time horizon is 10 years. The risk tolerance is moderately aggressive; willing to assume an above average amount of market risk/volatility or loss of principal to achieve higher returns, given the objectives. (i.e. a 50/50 equity/fixed income range would be translated as “average or moderate risk” and “moderately aggressive” risk tolerance would translate to an 60/40 equity/fixed income.

### **Consultant and Custodian**

The Trust is utilizing Independent Portfolio Consultants, Inc.'s (“IPC’s”) business model of a “manager of managers” approach to investment consulting that incorporates services offered under the Independent Managed Assets Program (“IMAP-D”) The specific services provided are outlined in this document. First Clearing Corporation, a subsidiary of Wells Fargo Bank, serves as

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custodian.

## Tax and Regulatory Status

As a governmental plan, the Trust is subject to the applicable provisions of the Internal Revenue Code of 1986, as amended, and the Public Retirement Systems Investment

Authority Law, O.C.G.A. 47-20-80 *et seq.* for investment of Trust assets and amendments thereof and is not subject to the Employee Retirement Income Security Act of 1974, as amended. The Trust assets are invested in accordance with this Master Statement of Investment Policy (MSOP) and addenda.



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## III. Responsibilities of OPEB Trust Representatives

### MBCC

The MBCC and its designated representative(s) acknowledge its responsibility as a fiduciary to the Trust. In this regard, the MBCC must act prudently and for the exclusive interest of the Trust's participants and beneficiaries. Duties and responsibilities include:

1. Complying with the provisions of pertinent federal, state and local laws and regulations;
2. Developing sound and consistent investment goals, objectives and performance measurement standards which are consistent with the needs of the Trust;
3. Appointing and evaluating qualified Investment Managers and consultant(s) to invest and manage the Trust's assets;
4. Determining, with the advice of the investment consultant, how the Trust's assets should be allocated among the various asset classes;
5. Reviewing and evaluating the results of the Investment Managers in context of established standards of performance;
6. Taking whatever corrective action is deemed prudent and appropriate when an Investment Manager fails to perform as mutually expected;
7. Review and deal prudently with any conflicts of interest.

### Independent Portfolio Consultants, Inc.

Independent Portfolio Consultants, Inc. ("IPC") acknowledges its responsibility as an investment advisor fiduciary of the Trust. The primary role of IPC is to act as investment advisor and provide investment management services that will enable MBCC to make well informed decisions regarding the investment of the Trust's assets. The duties and responsibilities include:

1. Performing ongoing due diligence review and analysis of an Investment Manager's adherence to its investment style, process, and philosophy;
2. Requiring that investment performance is reported in accordance with the Global Investment Performance Standards (GIPS<sup>®</sup>), except Multiple Manager Strategy Portfolios (MMSP);
3. Ongoing due diligence review of Investment Managers to determine what, if any, changes have taken place at each firm that may have an adverse impact on the portion of the portfolio for which the Investment Manager is responsible;
4. Reviewing the underlying Statements of Investment Policy, at least quarterly, to insure adherence to the policies set forth therein;
5. Determining, in consultation with the MBCC, if any modifications to the Statements of Investment Policy or Master Statement of Investment Policy are required;

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6. Computing and reporting actual investment results quarterly through a performance measurement report, to compare the results to the appropriate benchmarks and any other measures required for one, three, and five-year periods ending with the most recent quarter. Performance versus assigned benchmarks will be reported for the total portfolio, for each asset class, and for each money manager, net of fees;
7. Arranging for the execution of stock and bond trades through the Broker-Dealer;
8. Maintaining online interface and daily balancing of accounts with the Trustee's designated bank and custodian;
9. Conducting asset allocation studies when deemed appropriate and/or at the request of the MBCC;
10. Conducting periodic educational workshops upon request;
11. Compliance with the Public Retirement Systems Investment Authority Law, O.C.G.A. -47-20-80 *et. seq.*; subsequent amendments to be provided by MBCC to IPC;
12. Manager of Managers – to recommend the hiring or replacement of the current Investment Manager(s), based on Numbers 1, 2, 3 and 6 above.

## Custodian

The Custodian is responsible for the safekeeping of the Portfolio's investment assets. The specific duties and responsibilities of the custodian include:

1. Provide adequate safekeeping services;
2. Settle securities transactions in a timely manner;
3. Collect fund income when due;
4. Provide adequate accounting and account access services;
5. Prepare useful, accurate, and timely investment reports;
6. Provide required cash-management services;
7. Provide adequate administrative support;
8. Process proxy administration promptly and accurately;
9. Publish an annual statement of all assets and activities as required by regulation.

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## Investment Managers

It is the responsibility of MBCC, with the assistance of the investment consultant, to select prudent Investment Managers to manage the assets. Such managers can include regulated banks or insurance companies, mutual funds registered under the Investment Company Act of 1940, exchange traded funds or registered investment advisors. With respect to any mutual or other commingled funds that have been purchased by the Portfolio, the prospectus or Declaration of Trust documents of the fund(s) will govern the investment policies of those assets.

The following guidelines apply to separately managed accounts.

## Fiduciary Responsibilities

Each Investment Manager is expected to prudently manage the Portfolio's assets in a manner consistent with the investment objectives, guidelines, and constraints outlined in this MSOP, their separate Statements of Investment Policy and in accordance with applicable laws including Public Retirement Systems Investment Authority Law, O.C.G.A. 47-20-80 *et seq.*

### Each Investment Manager shall:

- Be a bank, insurance company or be registered as an investment adviser under the Investment Advisers Act of 1940 (where applicable) and certifying as qualified to be appointed as investment manager under these requirements;
- Maintain adequate fiduciary liability insurance and bonding for the management of this account.

## Security Selection/Asset Allocation

1. Invest and manage the Trust assets as a fiduciary with the diligence, care, skill and discretion that a prudent, professional Investment Manager would use in the investment of such assets and in compliance with all applicable laws, rules and regulations, Public Retirement Systems Investment Authority Law, O.C.G.A. 47-20-80 *et seq.*;
2. Report through IPC any significant changes in its investment strategy or portfolio structure; significant changes in its ownership, affiliation, organizational structure, or financial conditions; and its professional staff turnover;
3. Maintain the asset allocation within the ranges specified in each Statement of Investment Policy;
4. Meet or exceed benchmark performance over a complete market cycle;
5. Communicate to IPC all substantive changes to the accounts pertaining to investment strategy, asset mix, portfolio structure, and other matters affecting the investment of assets;
6. Communicate with the MBCC regarding all significant matters pertaining to the Trust's assets as required by the MBCC. It is anticipated that annual review meetings will be conducted by IPC with the Investment Managers.

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## Proxy Voting

Each Investment Manager is responsible and empowered to exercise all rights, including voting rights, as are acquired through the purchase of securities, where practical. Each Investment Manager shall vote proxies according to their established Proxy Voting Guidelines. A copy of those guidelines, and/or summary of proxy votes shall be provided to the MBCC upon request.

## IV. Asset Allocation

### Assumptions for Long-Term Target Asset Allocation

The MBCC recognizes that a long-term asset allocation policy is the primary mechanism for accomplishing the investment objectives set forth in this document and is the primary determinant of investment performance.

### Assumptions Underlying How the Assets are Structured

- ❑ **First**, informed judgments are made about the asset categories that are being considered for investment based on knowledge of market and economic trends and capital market assumptions used to develop investment themes. Judgments are made about the likely returns provided by each category. **Second**, judgments about the risks associated with an investment in each category are made. **Third**, how the various categories are likely to perform relative to each other are conducted (correlations). **Fourth**, based on expectations for return, risk, and relative performances, calculations are made on how various combinations of the assets will perform and how the combination selected will provide the most appropriate combination for the risk/return tradeoff.
- ❑ Over the long-term, equities are expected to outperform fixed income investments on an absolute basis. Furthermore, based on the long-term time horizon for the investment of the securities, equities are well-suited to bear the added short-term variability of return recognizing the greater expected long-term return.
- ❑ Certain segments of the capital markets are inefficient enough, and the potential rewards of sufficient magnitude, to warrant pursuing active management of the assets with the expectation of outperforming passive (index) alternatives over time.
- ❑ A Multiple Manager Strategy Portfolio (MMSP) can provide additional diversification of the equity market while providing comparable long-term returns and expanding the investment opportunities of the assets. Several of these investment strategies have historically experienced higher volatility than other U.S. equity asset classes, but can provide additional diversification and growth potential if carefully structured with other asset classes while potentially lowering the risk profile of the overall portfolio (*see explanation of MMSP on the following page*).
- ❑ The fixed income or bond investments are to be utilized to generate a stable flow of interest income and serve as a hedge against deflation.
- ❑ Exchange Traded Funds and mutual funds may be utilized periodically to represent the appropriate diversification strategy in the portfolio to improve upon the risk/return characteristics of the entire portfolio, particularly in the emerging markets sector.

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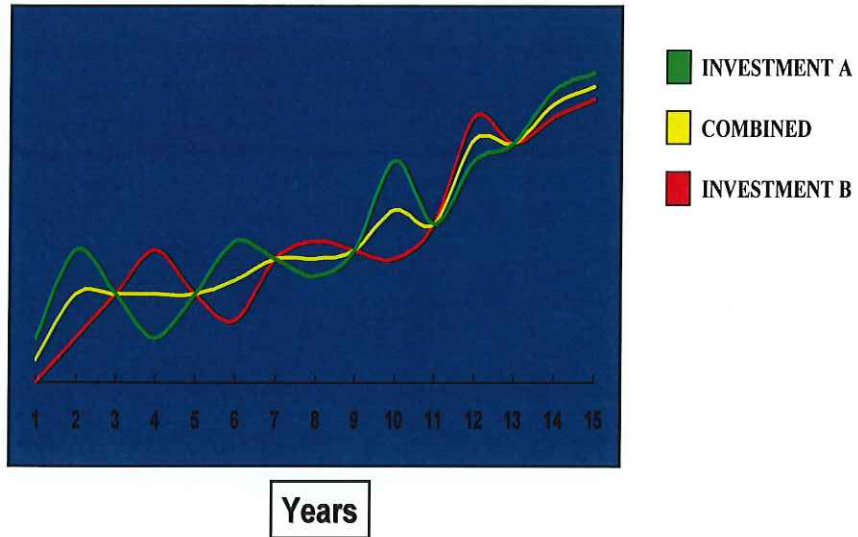
- ❑ Conformance with statutory investment guidelines contained Public Retirement Systems Investment Authority Law, O.C.G.A. 47-20-80 *et seq.* Further amendments to this Act will be provided by the MBCC.

## Multiple Manager Strategy Portfolio

- ❑ The Multiple Manager Strategy Portfolio (MMSP) is a single custodial account that allows for multiple investment strategies to be managed and tracked independently of each other (within one account). IPC serves as the Overlay Portfolio Manager for MMSP accounts, and independent Investment Managers serve as sub-advisors to IPC for the underlying, individual, investment strategies. The Overlay Portfolio Manager executes the trades as directed by the sub-advisors and oversees and is responsible for the entire Multiple Manager Strategy Portfolio.
- ❑ The primary objective in constructing a MMSP is to diversify the equity assets and assist in the long-term growth of equity capital. IPC will recommend MMSP strategy allocations that are expected to limit and/or reduce overall equity sector volatility and, as a result, reduce the amount of risk taken per unit of expected return in the overall portfolio, with the objective of enhancing investment return potential in the overall portfolio over a complete market cycle.
- ❑ MMSP asset class diversification involves analyzing which strategies are appropriate based on correlation and volatility analysis. Equity strategies are added in terms of targeted market capitalization, equity style, industry exposure, and/or country exposure. When implemented successfully, this may generate a stream of returns which is not expected to be highly correlated. As shown in the chart on the next page, this results in a reduction of the overall volatility of the total equity sector.

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Volatility reducing effects of lower correlation



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## V. Asset Allocation Strategy

### Strategic Allocation

In line with the Portfolio's return objectives and risk parameters, the mix of assets for the Portfolio should generally be maintained as follows (percents are of the market value of the Portfolio).

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
<b>Domestic Equities</b>	<b>20%</b>	<b>55%</b>	<b>54%</b>
<b>Fixed Income</b>	<b>10%</b>	<b>60%</b>	<b>44%</b>
<b>Cash/Cash Equivalents</b>	<b>0%</b>	<b>10%</b>	<b>2%</b>



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## Rebalancing Procedures

### *Strategic Rebalancing*

From time to time, market conditions may cause the portfolio's investments in various asset classes to vary from the target asset allocation. To remain consistent with the asset allocation guidelines established by this MSOP for equity and fixed income, the percentage in each asset class shall be reviewed on a quarterly basis and compared to the respective targeted percentage. An asset class will be rebalanced to the recommended weightings if, at six-month intervals, the actual weighting is outside the minimum or maximum policy ranges. In addition, as an example, if the target allocation varies by 10% or more from the recommended weighting target or ranges, at the suggestion of IPC, with the authorization of the MBCC or their designated representative, the asset classes will be rebalanced to the respective targeted allocation. In this instance, a proportional rebalancing strategy will be utilized by taking the target allocation for the class, multiplying by .10 and rebalancing by the resultant percentage; i.e., 65% target for equities \*10% = 6.50% out of balance.

### *Tactical Rebalancing*

Tactical asset allocation can potentially benefit the portfolio by making changes to the asset allocation at regular intervals over time as a result of the managers/consultants changing assessment of the relative risks and returns of the various markets. Tactical asset allocation may be practical in such a way as to vary asset mix within the allowable ranges established by the asset allocation policy. Tactical asset allocation methodology includes capitalization (large vs. small); style driven (growth vs. value); geographic (U.S. vs. international, vs. emerging, if permitted by statute); active vs. passive management; alternatives (REITs); tactical (equities vs. cash equivalents). IPC and/or the managers may make recommendations for tactical rebalancing from time to time that will serve as a point of discussion during quarterly reviews. A target allocation to a tactical asset allocation is part of the MMSP and the strategic asset allocation. Changes in tactical asset allocation in the MMSP, as long as they are in the ranges permitted in the target asset allocation, can be made at the discretion of IPC with notification to the MBCC at the next quarterly review.

### *Asset Allocation Studies*

An asset allocation study will be performed periodically by IPC based on: (1) historical results, (2) any actuarial report changes that will materially impact the cash flows, and/or (3) changes in economic or market assumptions that may change the

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risk/return characteristics of the combined portfolio.

## VI. Investment Selection Criteria

Investments (including Investment Managers, mutual funds, exchange traded funds and commingled investments) shall be chosen using the following criteria:

- How well each proposed asset class and manager/investment complements other assets in the portfolio; i.e., how non-correlated is each investment;
- Minimum of a ten-year track record or two years if the principals in the firm have a minimum of ten years of experience;
- Conformance to Global Investment Performance Standards (GIPS®) to which each firm warrants adherence, with the exception of the MMSP strategies, mutual funds and hedge funds which may or may not be a selection criterion;
- Consistency of investment style and discipline;
- Past performance, considered relative to other investment managers having similar investment objectives. Consideration shall be given to both consistency of performance and the level of risk taken to achieve results;
- The investment style and discipline of the Investment Manager;
- Level of experience, financial resources, personnel turnover and staffing levels of the Investment Manager;
- An assessment of the likelihood of future investment success, relative to other opportunities;
- Reasonableness of expense ratios/fees;
- Stability of organization.

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## VII. Investment Guidelines

Investment activity must be consistent within the requirements of this policy and applicable laws including Public Retirement Systems Investment Authority Law, O.C.G.A. 47-20-80, *et seq.*

Investments are permitted in mutual funds, exchange traded products, commingled funds/trust, separately managed accounts, or combinations thereof. In addition, the following guidelines will apply to Investment Managers of separately managed accounts.

### A. Permitted Securities

#### Equity Securities

- Common stocks, REITs, and securities convertible into common stock of U.S.-based companies.

#### Convertible Securities

- Securities that are convertible into the common stock of U.S. based companies. This would include convertible bonds, convertible preferred stock, and mandatory convertible securities (*e.g.* PERCs, CHIPs, ELKs).
- All convertible securities purchased must be U.S. dollar denominated securities.
- Individual convertible securities should be rated "B" (or its equivalent) or higher at the time of purchase by a nationally recognized statistical rating agency. For the purposes of asset allocation, convertible securities shall be considered equities.
- Equities underlying a convertible security should be issued by companies with market capitalizations greater than \$100 million at the time of purchase.

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## Real Assets

- ❑ Real Estate: REITs of U.S.-based REIT mutual funds or exchange traded funds.
- ❑ Treasury Inflation Protected Securities (TIPS): Mutual funds, exchanged traded funds or bonds of inflation linked securities.

## Domestic Fixed Income Securities

Domestic fixed and variable rate bonds and notes issued by the U.S. Government and its Agencies, international governments, U.S. corporations, Yankee bonds and notes (bonds or notes issued by non-U.S. based corporations and governments but traded in the U.S.), securitized mortgages (e.g. GNMA's, FNMA's, FHLMC's), collateralized mortgage obligations, asset-backed securities, taxable municipal bonds and preferred stock.

## Cash and Ultra-Short Fixed Income

Cash reserves shall be held in the custodian's money market fund, bank deposit or invested in short-term Treasury securities, or high quality money market instruments.

## Diversification Requirements

The primary method to reduce risk for the portfolio is diversification through asset allocation. By allocating assets in different asset classes, the portfolio can reduce risk by avoiding concentration as well as reduce risk through the low-correlation between different asset classes.

To minimize the risk of large losses, each Investment Manager shall maintain adequate diversification in their portfolio subject to the constraints outlined in this investment policy.

## A Domestic

- ❑ No more than 55% of the Plan's assets may be invested in stock or an equity position in a company traded on an exchange inside the United States.
- ❑ No more than 5% of the outstanding global securities may be invested in any 1 issuer.
- ❑ No more than 5% of the Plan's assets may be invested in publicly traded real estate investment trusts.

## B. Fixed Income

The fixed income portfolio should be broadly diversified by issue, issue type, asset pool, quality, maturity and issuer.

- ❑ Fixed income securities should be rated "BBB-" (or its equivalent) or higher at the time of purchase by a nationally recognized statistical rating agency, unless an Investment Manager has been authorized by the MBCC to invest in below-investment-grade fixed income ("High Yield Bonds").

*Transactions or unanticipated market actions that cause a deviation from these policy guidelines should be brought to the attention of the MBCC and their designated representative(s) and the Investment Consultant by the Investment Manager prior to executing transactions, when practical. Such deviations may be authorized in writing by the MBCC or their designated representative(s), who can determine if the deviation constitutes a material departure from the spirit of this policy.*

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## C. Exclusions

The Portfolio's assets may not be used for the following purposes except for approved Alternative Investment Strategies:

- Purchases of letter stock, private placements (including "144A" securities) or direct payments
- Venture Capital investments
- Commodities transactions, unless by managers approved for that strategy
- Investment by the Investment Managers in their own securities, their affiliates or subsidiaries
- There shall be no purchase that would cause a position in the

portfolio to exceed five (5) percent of the issue outstanding, based on cost value

- There shall be no investments in non-marketable or illiquid securities

*Any other security transaction not specifically authorized in this policy statement, unless approved, in writing, by MBCC or their designated representative(s). Requests by Investment Managers to execute transactions that are not currently authorized in this policy should be made prior to executing such transactions.*

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## VIII. Investment Transactions

Trading for this portfolio is directed by and is the responsibility of each Investment Manager to whom the Trust has granted the discretionary authority to determine (subject to the investment objectives and policies outlined herein) the securities to be bought or sold on behalf of the Trust, the amount of such securities, and the brokers or dealers to be used in such transactions. The Investment Manager is generally obligated, absent the MBCC direction to the contrary, to effect transactions with or

through those brokers or dealers that in the Investment Manager's view, are capable of providing best price and execution of client orders. Consistent with this general obligation, it is anticipated that the Investment Manager will direct most, if not all transactions to Managed Account Services (MAS) both in view of its execution capabilities and because the investment advisory fees paid by the Trust to cover transaction charges only when transactions are executed through MAS.

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## IX. Meetings and Communications

- As a matter of course, representatives of the Investment Managers should keep the MBCC and their Investment Consultant apprised of any material changes in the Investment Manager's outlook, investment policy, brokerage placement practices and tactics;
- Representatives of each Investment Manager should be available to meet with the MBCC on a reasonable basis or be available for telephone conferences to review and explain their portfolio's investment results;
- Each Investment Manager should be available on a reasonable basis for telephone communication when needed. Any material event that affects the ownership or capital structure of the investment management firm, senior investment, marketing or administration personnel changes at the investment management firm or any material event that affects the management of this account must be reported promptly to the Investment Consultant. This requirement does not include routine employee stock ownership awards or partnership announcements;
- The custodian shall provide monthly statements of assets and transactions;
- IPC shall provide the MBCC or their designated representative(s) with quarterly performance reports and is expected to assist in the interpretation of the results.

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## X. Performance Evaluation

IPC will quarterly evaluate the performance of the portfolio's assets, each asset class, and each Investment Manager. Performance attribution analysis will be provided quarterly, after twelve months of performance, for the combined portfolio, each Investment Manager and for the MMSP. On a risk adjusted basis, the combined portfolio performance is expected to be equal or greater than the combined benchmark over a complete market cycle. The investment time horizon will be considered long term, incorporating a full economic cycle of both economic expansions and recessionary periods.

Minimum time horizon is ten years. Qualitative factors as well as quantitative factors will be considered with reference to the monitoring of the Investment Managers' performance, particularly over periods of time that encompass less than a complete market cycle.

The MBCC is more concerned about minimizing losses than about maximizing gains. Therefore, the preference is to over perform on a relative basis during negative-return periods, under perform on a relative basis during sharply rising or speculative markets, and achieve above-average returns in normal markets.

Peer group comparisons may be provided to the MBCC annually. However, IPC recognizes that peer group comparisons in many cases are not reliable as an indicator of relative performance due to survivorship bias, classification bias, composite bias and the variations of investment styles in a peer group. Additionally, Investment Managers may be fired at the time that they should be

hired because of the creation of faulty manager universes. To be statistically significant, databases must encompass a large number of Investment Managers. However, Investment Managers with specific purposes and specialized strategies are not often numerous enough to create a large enough manager universe to be statistically significant in group comparisons. The MBCC recognizes these shortcomings and will endeavor to work with IPC and rely upon IPC's analysis of the Investment Managers and their results, when appropriate, as opposed to utilizing peer group comparisons as the sole criteria or to be used as conclusive evidence. Such a finding would be based upon the facts and situations.

The Portfolio's asset allocation in separately managed accounts and the composite portfolio's asset allocation shall also be reported on a quarterly basis and compared to the permitted asset allocation ranges, as outlined in this MSOP.

Risk as measured by volatility, or standard deviation, should be evaluated after four quarters of performance history have accumulated. An attribution analysis should also be performed for each portfolio, to evaluate how much of the portfolio's investment results are due to the Investment Managers' investment decisions, as compared to the effect of the financial markets. It is expected that this analysis will use the "style index" as the performance benchmark for evaluating both the returns achieved and the level of risk taken.



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## Investment Manager Exceptions

The MBCC employs an automatic policy for the monitoring of its Investment Managers. A watch list will be initiated by the investment consultant, approved by the MBCC, and the Investment Manager will be immediately notified by the investment consultant, when that Investment Manager is placed on the watch list. The following is a listing of the major key items that may result in an Investment Manager being placed on the watch list:

- Annual performance below the Investment Manager's designated Portfolio Benchmark.
- Three and five year annualized performance below the Investment Manager's designated Portfolio Benchmark.
- Organization or key personnel changes.
- Portfolio style changes occur.
- Negative risk-adjusted performance over three and five year annualized periods.

Once on the watch list, the Investment Manager may be terminated if performance does not improve over the next two succeeding quarters. In addition, the Investment Manager may be terminated if any organization changes or key personnel changes are deemed to have an adverse effect on the future performance of the portfolio.

The investment consultant will communicate in its Executive Summary each quarter those money managers placed on a watch list with comments as to the status and factors influencing performance. Recommendations will be made by the

investment consultant to terminate or continue with the money manager based on total performance and interviews with the money manager and an assessment by the investment consultant as to likelihood of the money manager's ability to turn around performance in a reasonable time period.

## Total Fund Performance Evaluation

The performance of the total fund will be compared to a balanced index constructed as follows:

Index or Other Measure	Percent Weight
Russell 3000 Stock Index	55%
Barclays Aggregate Bond Index	45%

Index or Other Measure	Percent Weight
S&P 500 Stock Index	55%
Barclays U.S. Gov't/Credit Bond Index	45%

## Individual Asset Class Benchmark

The individual Investment Managers will be measured versus a comparable index as indicated in the specific Statements of Investment Policy for each Investment Manager selected which will be attached herein and will be incorporated as part of this Master Statement of Investment Policy.

## Performance Monitoring and Investment Managers

IPC will seek to identify any inconsistent investment approaches. Therefore, IPC will carefully monitor the Investment Managers

# Master Statement of Investment Policy

on several key indicators of possible inconsistency:

- Investment Manager turnover;
- Portfolio characteristics which are not consistent with the managers' stated investing style;
- Performance patterns not logically explainable in terms of the published style.

## **XI. Frequency of MSOP Review**

IPC will use each of the periodic investment performance evaluations as occasions to consider whether any elements of the MSOP are either insufficient or inappropriate. Key occurrences that could result in a MSOP modification include:

- Significant changes in the Trust's anticipated needs and financial circumstances;
- Changes in state law or new legislation or regulations;
- Changes in funding level of the Trust or changes in Actuarial methods;
- Impractical time horizons; and
- Suggestions for change presented by IPC.

# Master Statement of Investment Policy

## XII. Approval

This MSOP is adopted on this day of 4/12, 2016 by the Finance Director and County Manager, the designated representatives of MBCC whose signatures appear below.

Christy W. Iuliucci

4/13/16  
Date

Christy W. Iuliucci, Finance Director  
Print Name

[Signature]

4/13/16  
Date

Dale M. Walker, County Manager  
Print Name

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The above hereby represents and warrants the person(s) executing this MSOP on behalf of the Macon – Bibb County Other Post Employment Benefit Trust is(are) the appropriate fiduciary(ies) with authority to sign this document on behalf of the Trust and that the MBCC will notify IPC if this status or authority should change.