FULTON COUNTY

**REQUEST FOR PROPOSAL: 14RFP87041-FIN**

# FCERS Financial Advisory & Investment Consulting Services

## Department of Finance

**RFP DUE DATE AND TIME: Monday, June 02, 2014 at 4:00 PM**
**RFP ISSUANCE DATE: April 23, 2014**
**DEPARTMENT CONTACT: TAMMY GOEBELER, Investment Officer**
**E-MAIL: tammy.goebler@fultoncountyga.gov**

**LOCATION: FULTON COUNTY DEPARTMENT OF PURCHASING & CONTRACT COMPLIANCE**
**130 PEACHTREE STREET, S.W., SUITE 1168**
**ATLANTA, GA 30303**

# REQUEST FOR PROPOSAL

# FULTON COUNTY EMPLOYEES' RETIREMENT SYSTEM BOARD FINANCIAL ADVISORY AND INVESTMENT CONSULTING SERVICES

**RESPONSES DUE**
**June 2, 2014**

REQUEST FOR PROPOSALS

PERFORMANCE MEASUREMENT, EVALUATION AND CONSULTING SERVICES

FULTON COUNTY EMPLOYEES' RETIREMENT SYSTEM BOARD

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Fulton County Employees' Retirement System Board (the "Board") is seeking performance measurement, evaluation and investment consulting services. General instructions and requirements are attached which will indicate considerations to be used in evaluating the RFPs and awarding a contract.

Your proposal along with answers to the questions in Section IV – Proposal Questionnaire, must be submitted with supporting documentation no later than 4:00 p.m. local time on June 2, 2014. Proposals received after 4:00 p.m. local time will not be considered. Proposals will be opened as soon as practical thereafter and the evaluation results will be made available when completed upon request.

I. GENERAL INSTRUCTIONS, REQUIREMENTS AND CONDITIONS

1. All RFPs, one original with six (5) additional hard copies with each including an electronic copy on CD (required), must be received no later than 4:00 p.m. local time on, June 2, 2014, to:

   Mr. Patrick J. O'Connor
   Secretary/Treasurer
   Fulton County Employees' Retirement System Board
   Suite 7001
   141 Pryor Street, S.W.
   Atlanta, Georgia 30303

Indicate Fulton County Employees' Retirement System Board RFP on the outside of the envelope.

2. The "Board" reserves the right to waive any formality in any proposal and to reject any and all proposals. Any proposal submitted shall constitute an irrevocable offer, for a period to begin on January 1, 2015, to provide to the "Board" the proposed services at the proposed compensation.

3. The terms and conditions of the Consulting Services Agreement for evaluation services must be fixed for a period of five (5) years (three (3) years term with the option to extend, upon mutual agreement, on the same terms for an addition two (2) years). The "Board" reserves the right to terminate the contract, for its convenience, by giving the firm 30 days written notice. The "Board" will require the successful firm to commit to a minimum of a ninety (90) day termination provision. The firm will be paid for its services through the effective date of termination.

4. The firm shall not assign any interest in the contract and shall not transfer any interest in the same without prior written consent of the "Board". The firm may subcontract part of the proposed services with prior written consent of the "Board".

5. **Minimum Eligibility Requirements**

- The investment consulting firm must be a registered investment advisor under the Investment Company Act of 1940.
- The investment consulting firm must have been in business for a minimum of ten years.
- The individual assigned to the Fund as lead consultant must have a minimum of seven years of professional experience as an institutional investment

consultant.

- The investment consulting firm must be able to maintain a satisfactory electronic interface with the Fund's custodian bank at the firm's expense.
- The investment consulting firm must accept responsibility as a Fiduciary to the Fund.
- The investment consulting firm must agree to disclose all conflicts of interest, sources of revenue, and all affiliations.

6. The "Board" reserves the right to use judgmental factors in determining which proposal shall be in the "Board's" best interest and the exercise of that judgment by the "Board" shall be final and binding upon all firms submitting proposals. Criteria for selection will include but not limited to the following criteria (in no particular order):

   a) Cost for services.
   b) Prior experience and background of key personnel assigned to the project.
   c) Prior experience of the firm in providing investment performance measurement, evaluation and investment consulting services to retirement funds including pension funds and public/governmental defined benefit pension plans.
   d) Quality of sample performance reporting provided.
   e) Financial Strength
   f) Limitation of professional liability.
   g) Service level of the firm
   h) Ability of the firm to maintain independence and objectivity.
   i) Potential Conflicts of Interest
   j) Quality of and response from references
   k) Location and accessibility of firm and staff
   l) Equal Opportunity Practices

7. Each proposal submitted must be divided into three separate sections. The first section should be the RFP questionnaire (Labeled Accordingly as Sections 1-3) with Firm's responses to each question. The second section should be any additional information that your firm feels is relevant in the Evaluation Committee being able to determine your Firm's ability to provide the required services to the Plan. The third section should be the cost proposal as outlined in Section V. These sections should be labeled accordingly in order for the Evaluation Team to streamline the review and evaluation process. Failure to provide in this required format could result in the Proposal being disqualified. The Proposal must be accompanied by an authorized officer of the firm stating the firm will abide by the proposal's instructions, specifications and requirements, notwithstanding any acts of any agents or representatives to the contrary.

8. Due care has been used in the preparation of information for this RFP and the information is believed to be substantially correct. However, the responsibility for determining the full extent of the exposures and the verification of all information presented herein shall rest solely upon the proposers. The "Board" and its representatives will not be responsible for any errors or omissions in the specifications nor for the failure on the part of the proposers to determine the full extent of the exposures.

9. If any addendum is issued to this RFP, they will be sent by first class mail to all registered prospective proposers at the address where the original proposal was sent. However, prior to submitting your proposal, it shall be the responsibility of each proposer to contact the "Board" to determine if addenda were issued and, if so, to obtain such addenda and include them with your proposal

10. All contact pertaining to this RFP will be directed to the following individual:

Tammy E. Goebeler, Investment Officer
Fulton County Department of Finance
141 Pryor Street, S.W., Room 7001
Atlanta, Georgia 30303
(404) 612-7698

Any questions should be submitted in writing to tammy.goebeler@fultoncountyga.gov and will be responded to within a reasonable timeframe.

The Retirement System's investment portfolios were valued at $1.3 billion on December 31, 2013. The "Board" has employed a professional investment advisor since 1990 and currently maintains a formal investment policy which was last amended October 2013 (see attachment A). The "Board" currently utilizes the actuarial services of Segal Company and the audit services of PJC Group, LLC.

The most recent actuarial valuation as of January 1, 2014 is enclosed as attachment B.

The "Board" utilized the following investment managers in the investment style and amount noted below as of December 31, 2013 (unaudited data):

AS OF DECEMBER 31, 2013
(IN MILLIONS)

| | Cash | Investment | Accrued Income | Total Market + Accrued | Current Market% | L/T Market Target% | Allowable Ranges |
|---|---|---|---|---|---|---|---|
| EQUITY | | | | | | | |
| Domestic | | | | | | | |
| Large Cap | | | | | | | |
| Growth - Active | | | | | | | |
| Winslow Capital | 1,215 | 108,017 | 65 | 109,297 | 8.4% | 8.3% | |
| Neuberger Berman | 3,480 | 103,871 | - | 107,351 | 8.3% | 8.3% | |
| Blend - Passive Index | | | | | | | |
| Rhumbline | | 131,556 | | 131,556 | 10.1% | 10.0% | |
| Value - Active | | | | | | | |
| Herndon Capital | 1,097 | 56,586 | 95 | 57,778 | 4.4% | 4.1% | |
| Eagle Capital | 106 | 59,572 | 47 | 59,725 | 4.6% | 4.1% | |
| NWQ | 5 | - | - | 5 | 0.0% | 0.0% | |
| Gambelli Asset Mgmt | 1,443 | 103,756 | - | 105,199 | 8.1% | 8.3% | |
| Total Large Cap Equity | 7,346 | 563,358 | 207 | 570,911 | 43.9% | 43.0% | 38% - 48% |
| Small/Mid Cap | | | | | | | |
| Atl Cap - Small Cap | 2,430 | 52,983 | 42 | 55,455 | 4.3% | 4.3% | |
| Atl Cap - Small Cap Extended | 2,220 | 52,083 | 29 | 54,332 | 4.2% | 4.3% | |
| Apex Capital - SMID Growth | 1,537 | 53,538 | 15 | 55,091 | 4.2% | 4.3% | |
| The London Company - SMID Core | 740 | 53,988 | 22 | 54,749 | 4.2% | 4.3% | |
| Total Small Cap Equity | 6,926 | 212,592 | 109 | 219,627 | 16.9% | 17.0% | 12% - 22% |
| Total Domestic Equity | 14,272 | 775,950 | 316 | 790,538 | 60.8% | 60.0% | |
| International | | | | | | | |
| EuroPacific Growth (RERGX) | - | 64,084 | - | 64,084 | 4.9% | 5.0% | |
| Thornburg Int'l Value (TGVIX) | - | 65,899 | - | 65,899 | 5.1% | 5.0% | |
| Oakmark International (OAKIX) | - | 68,934 | - | 68,934 | 5.3% | 5.0% | |
| Total International Equity | - | 198,917 | - | 198,917 | 15.3% | 15.0% | 10% - 20% |
| **Total Equity** | **14,272** | **974,866** | **316** | **989,455** | **76.1%** | **75.0%** | |
| **DOMESTIC FIXED INCOME - CORE BOND** | | | | | | | |
| Bradford & Marzec | 1,957 | 70,416 | 421 | 72,795 | 5.6% | 6.3% | |
| TCW Metropolitan West | (5,791) | 83,412 | 375 | 77,996 | 6.0% | 6.3% | |
| Earnest Partners | 1,110 | 72,815 | 584 | 74,509 | 5.7% | 6.3% | |
| Wellington | 234 | 79,041 | 461 | 79,736 | 6.1% | 6.3% | |
| **Total Domestic Fixed Income - Core Bond** | **(2,490)** | **305,684** | **1,841** | **305,036** | **23.5%** | **25.0%** | **20% -30%** |
| **TOTAL ASSETS UNDER MANAGEMENT** | **11,783** | **1,280,550** | **2,157** | **1,294,490** | **99.6%** | **100.0%** | |
| Internal - Cash, payables, receivables | 5,350 | | | 5,350 | 0.4% | 0.0% | |
| Internal Supplemental Benefit Plan | 415 | - | | 415 | 0.0% | 0.0% | |
| | 5,765 | - | - | 5,765 | 0.4% | 0.0% | **0% - 5%** |
| **TOTAL ASSETS IN PLAN** | **17,547** | **1,280,550** | **2,157** | **1,300,255** | **100.0%** | **100.0%** | |

The "Board" currently employs the services of State Street bank as custodian for active managers. The Rhumbline S&P 500 index fund also utilizes State Street Bank as custodian. The International Mutual Funds are under separate custody. These custodians provide asset valuation services. The "Board" currently maintains a commission recapture program through Donaldson and Company and Capital Institutional Services, Inc. (CAPIS). The "Board" maintains a firm commitment to equal opportunity at all level of asset management. Qualified advisors, managers, brokers and agents are utilized throughout the Fulton County Employees' Retirement System.

III. SERVICES TO BE PROVIDED

1. The Financial Advisor will be required to attend the Board Meetings on a quarterly basis to provide performance reporting and a markets update. Additionally, the Financial Advisor may be required to attend several additional meetings each year by conference call, at the discretion of the Board, if their attendance to the meeting is required for specific agenda items. The meetings are normally scheduled for the second Wednesday of each month beginning at 1:30 pm.

2 An annual review of investment policies, goals and guidelines including risk assessment and asset allocation. The review will include a formal written report to the Fulton County Employees' Retirement System Board as to recommendations or amendments to the investment policies, goals or guidelines. The advisor shall be responsible for maintaining the investment policy documents and will provide the Board with twenty (20) copies upon amendment or annually, whichever is less.

3. Quarterly reports of investment performance which include an overview of manager performance, a narrative commentary addressing performance on an absolute and relative basis, concise explanations of the level of performance relative to risk and long range projections of the various markets. The advisor will be responsible for, (1) compliance with the "Board's" investment policy and will include along with the Quarterly Report a Statement of Compliance; (2) tracking brokerage practices and will provide written reports quarterly to the Board as to minority participation; and (3) assure continuity of the existing performance reports (which began in 1991) as to performance on a quarter to date, year to date and inception to date basis. A representative of the advisor shall attend the meeting of the Board to discuss the performance reports. The advisor will provide the Board with twenty (20) copies of the report quarterly,

five (5) working days in advance of the meeting.

4. An Asset Liability study will be performed during the first year of the three year contract, and therefore the cost of this study should be included in the Annual Retainer fee for Years 1 thru 3 quoted in Section V. Cost Proposal.

5. Monitor investment managers to insure stability of management firm, quality of portfolio managers assigned to the "Board's" account, consistency in investment management style, and compliance with the "Board's" investment policies and guidelines. The advisor will monitor investment managers and their performance monthly. The advisor will not be required to provide monthly written reports unless requested by the Board. The Advisor is responsible to alert the Board of any significant exception.

6. Trustee education will be provided by the advisor on an ongoing basis on the topics of asset allocation, modern portfolio management theory, diversification, managing portfolio risk, capital markets, securities valuation, corporate governance, actuarial analysis, and other relevant investment topics. The advisor will be responsible for providing no less than two (2) trustee education sessions annually. The two sessions will be semi-annual ½ day seminars. The advisor will be responsible for providing an appropriate location convenient to the Board within Fulton County. The advisor will be responsible for all costs associated with the trustee education for up to fifteen participants. It is permissible to utilize the services of the "Board's" investment managers for up to 50% of the seminars.

7. Assist the Retirement System with investment manager selection. These services may or may not be required by the Board. In the event these services are required, the Board may desire services in the following areas: Active Management, Index Management or Mutual Funds Management. In the

manager selection process, the Board will require the advisor to screen an appropriate broad universe of potential managers, screen the managers based on criteria as recommended by the advisor and approved by the Board, rank potential managers based on return and risk for specific periods, perform due diligence reviews of the potential managers, prepare a synopsis of qualified managers, make recommendations of firms to be interviewed, schedule interviews, participate in investment manager interviews and prepare final recommendations for the Board's consideration.

8. Assist the Board by making recommendations concerning commission recapture, brokerage practices, investment return assumptions for actuarial reports or other investment related subjects.

9. Assist the Board in their commitment to equal opportunity at all levels of asset management.

10. Assist the Board in any additional formal asset liability studies requested during the remainder of the contract, including any extension periods. The Board periodically (every three to five years) performs an asset liability study to insure the Board's asset allocation is appropriate. Liabilities are modeled by our Actuary. Our Financial Advisor is responsible for the preparation of the asset liability study with the assistance of our Actuary. Any additional studies requested above the study in the first year of the contract would be charged on a stand alone basis as quoted in Section V. Cost Proposal.

## IV. PROPOSAL QUESTIONNAIRE

(Please note that technical information should be described in terms easily understood by individuals with limited technical knowledge of sophisticated investment strategies)

### 1. FIRM INFORMATION:

a. Name of your firm, address, telephone number, and primary and secondary contact persons.

b. Does your firm maintain an office in the Atlanta area and will this office be servicing the Plan if awarded a contract?

c. Number of full time employees in your firm by office location. Include a breakdown by classification (professional, managerial, clerical, etc.)

d. Furnish biographical profiles summarizing educational and professional credentials of principals and other key individuals who you anticipate will be assigned to this account. Include a summary of current assignments for key individuals anticipated to be assigned to this account.

e. Provide full disclosure of your firm's ownership, to include: year formed, name of parent organization, if applicable, type of ownership, etc. Please confirm that your firm is a registered investment advisor with the SEC under the Investment Advisors Act. Provide a copy of your latest Form ADV.

f. Provide a copy of your audited financial statements for the past three years.

g. Please disclose how many Clients your Firm provides comparable Financial Advisory Consulting services for. What percentage of these Plans are Public Companies? What is the smallest, largest, and average Plan asset size of the Clients you represent?

h. Provide a representative list of your pension fund clients along with the assets under advisement of each client. Please note which clients are governmental and similar to Fulton County. In addition, please provide contact names, addresses and telephone numbers of key individuals who may be contacted as references. A minimum of three references should be provided, with a preference that at least two of the three be governmental clients.

i. Provide a statement concerning your understanding of the firm's fiduciary responsibility in providing performance measurement, evaluation and consulting services to the Board. Does your firm accept fiduciary responsibility for the services to be provided under this proposal? Please describe any errors or omissions or liability coverage you firm maintains to meet fiduciary responsibilities.

j. Does your firm receive revenue other than direct payments for investment consulting services? Please describe any revenue received from brokers, investment mangers, soft dollar arrangements or money mangers. Does your firm charge for their inclusion in data bases or attendance in conferences? Does your firm operate a brokerage or provide investment management services? Does your firm have a corporate relationship with brokers, money mangers or mutual funds? Does your firm sell, provide or receive any services from brokers, or money mangers? If potential conflicts of interest exist, please describe the internal controls your firm maintains to mitigate such risks.

k. Describe the universes of selection, measurement and evaluation criteria to be used in performing your services. What indices are used for relative comparisons? Were your analytical tools developed in house or acquired from external sources? Describe these analytical tools.

l. Please list and describe all of the databases and research (internal and external) used in your firm's manager research in the following areas (indicate if it is proprietary or third-party):

i. Manager Profiles
ii. Portfolio Characteristics
iii. Manager Performance
iv. Status updates and changes to firms

## 2. PROPOSED SERVICES

a. List and briefly comment upon the most significant aspects you consider being unique or important to your firm's approach to investment consulting, particularly in the area of service delivery.

b. Provide an outline of the principal steps you will employ in developing a customized statement of investment goals, objectives, policies and procedures for the "Board".

c. Provide an outline of the principal steps you will employ in assessing the "Board's" aversion to risk.

d. Provide an outline of the principal steps you will employ in determining your recommendation of the optimum asset allocation for the "Board".

e. How will you analyze investment returns? Where will you obtain your data? Describe fully your treatment of cash and cash equivalents, mortgage backed instruments and other investment types.

f. Provide at least one example of how your firm has proactively addressed an issue or concern with a client which resulted in added value to that client.

g. Provide any other information you feel would enable the selection committee to better assess your qualifications.

h. Please include a sample copy of your quarterly performance reporting, a manager search report, and an asset liability study. Please provide examples of any additional standard or recommended reports you would provide on a reoccurring basis, including the frequency of the distribution of these reports.

3. OTHER INFORMATION

a. Provide the following statement of non-discrimination as part of your proposal.

1. No person shall be excluded from participation in, denied the benefit of, otherwise discriminated against on the basis of race, color, national origin, disability, religion, sexual orientation or gender in connection with any proposal submitted to the Fulton County Employees' Retirement System Board.

2. That it is and shall be the policy of this firm to provide equal opportunity to all business persons seeking to contract or otherwise interested in contracting with this firm, including those companies owned and controlled by racial minorities, cultural minorities and females.

b. Complete the schedule of employment distribution by category in Attachment C.

c. Provide the following statement as part of your proposal. We agree to abide by the Fulton County Employees' Retirement Systems Ethics policy as shown in Attachment D.

d. Provide the following statement to the Board concerning liability limitations. We (your corporate name) understand in submitting this proposal that the Board shall not consider proposals that impose any type of liability limitations or indemnification provisions for damages caused, failure to perform, or negligence in performing the duties required under this proposal and agree to seek no limitations if we are awarded the contract.

V. FEE SCHEDULE

1. Annual retainer fee to be paid monthly for all services to be provided as outlined in Section III Services To Be Provided items 1 through 9. The annual retainer fee will include up to two investment manager searches per year. The annual retainer fee includes all expenses, travel and lodging. The annual retainer fee for Years 1 – 3 will include an Asset Liability study to be conducted during the first three years of the contract.

**Total Annual Retainer Fee Year 1 - 3: ____________**

**Total Annual Retainer Fee Year 4 – 5: ____________**

2. Estimated costs for providing services as outlined in Section III Services to Be Provided item 10 (Additional Asset Liability Study). The Asset Liability Study will be conducted periodically at the request of the Board.

**Total Cost per Additional Asset Liability Study: ___________**

Cost of Additional Manager Searches above two per year (included in annual retainer)

Active Manager ________________________________ per search

Index Manager ________________________________ per search

Mutual Fund Manager ________________________________ per search

All fees must be quoted in hard dollars, as percentage of assets fee structures will be deemed non-responsive.

Officer:

______________________________

(Signature)

______________________________

(Typed Name & Title)

(Company)

Attachment A

Fulton County Employees' Retirement System

Investment Policy

# FULTON COUNTY

# EMPLOYEES' RETIREMENT SYSTEM

# INVESTMENT POLICY

Originally Adopted June 1991
Most Recently Amended October 2013

# INVESTMENT POLICY CONTENTS

# I. PURPOSE OF POLICY

*An investment policy statement is an important written document that clearly sets out the client's return objective and risk tolerance over the relevant time horizon along with applicable constraints such as liquidity needs, tax considerations, regulatory requirements, and unique circumstances. The client objectives and constraints, when considered in the light of capital market expectations, lead to the development of critical investment strategies, the most important of which is the asset allocation decision, but which may also include individual asset class optimization strategies. These strategies suggest the investment style characteristics of individual managers that are selected and how their performance should be monitored and evaluated. The investment policy is the linkage between client objective and the Investment Manager or managers. A properly developed investment policy supports long-term discipline and helps ensure against ad-hoc revisions in strategy when short-term results might otherwise create portfolio changes as a result of panic or overconfidence.*

*Source: CFA Institute*

The purpose of the Fulton County Employees' Retirement System Investment Policy ("Investment Policy") is to provide direction to those responsible for managing the Fulton County Employees' Retirement System Pension Plan ("Plan") assets. This document sets out the governance responsibilities and operational policies established for the management of the Plan.

At all times, the assets of the Plan will be maintained in compliance with all appropriate laws governing the operation of the Plan, and its fiduciary standards, including but not limited to the following:

- Investments will be discharged solely in the interest of the Plan's participants and beneficiaries and for the exclusive purpose of providing benefits to the participants and their beneficiaries; and defraying reasonable expenses of administering the Plan.
- Investment fiduciary duties will be carried out with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person, acting in a like capacity and familiar with said matters would use in the conduct of an enterprise of a like character and with like aims, and;
- Investments will be diversified in order to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.

**Governance Standards**

In order for the Plan to be managed effectively and efficiently, it is critical that sound governance structures be in place and vigorous disciplines exist for carrying out Plan activities. Governance standards have been established at three levels:

- Plan oversight -- establishing and periodically reviewing the Plan's policies.
- Plan financial management -- implementing investment policy and recommending appropriate changes.
- Plan operations -- administering, maintaining internal control procedures, monitoring investment and custody of assets, and providing analysis and information for decision-making, and reporting to the Board.

**Understanding Among Various Functional Roles**

This Investment Policy is intended to serve as a reference tool, an operating document and a communications link between the Board and its:

- new Board members,
- Investment Managers, and
- other professional advisors.

This Investment Policy document conveys not only the specific guidelines for action, but also the philosophical foundations for those guidelines.

**Fiduciary Obligations**

This Investment Policy records the conclusions reached by the Board, after a professionally-assisted, diligent process of study and evaluation, to arrive at the most suitable combination of investment risk level and rate of return which will satisfy the Plan's emerging obligations and Fulton County's likely future priorities for funding them.

**Funding Requirements**

a) Volatility of Required Contributions

The Board has reviewed the actuarial forecast of expected future funding requirements for the Plan and is satisfied that the Plan's investment policy need not be aggressive in order to produce future contributions required from Fulton County under Georgia Act No. 525 which will remain at an acceptable level. The Board realizes the desirability of having investment returns, which will support employee contributions at, or below the current percentage level and has factored this need into this investment policy statement.

b) Volatility of the Plan's Assets-to-Liabilities Ratio

The Board places a high priority on achieving and maintaining a strong ratio of funded assets to vested and accrued liabilities as the Plan moves forward in time.

# II. ROLES AND RESPONSIBILITIES

## The Plan

In this document, the term "Plan" refers to the pension plan sponsored by Fulton County ("County"), Georgia, which, as a result of a Resolution of the Board of Commissioners of Fulton County adopted at its regular meeting on September 11, 1991, and as subsequently amended, represents the consolidation of previous Plans sponsored by Fulton County.

## The Board

In this document, "Board" refers to the Fulton County Employee's Retirement System Board which governs the Plan, the membership of which is either appointed by the Fulton County Commission, elected by the active Plan participants, or serving ex-officio.

The Board is designated as the named fiduciary of the Plan and has the responsibility to control, manage and invest the assets of the Plan. In this capacity, the Board will have the authority to employ persons to render advice with respect to its responsibilities under the Plan. The Board will also appoint and discharge Investment Managers and custodians, invest any or all assets of the Plan, and designate persons other than named fiduciaries to carry out fiduciary responsibilities (other than trustee responsibilities) with regard to formulating and managing investment policies and managing and controlling the assets of the Plan.

The Board's other responsibilities include:

- Establishing the Plan's investment policy.
- Monitoring of investment performance and compliance with this Investment Policy by third parties who have been given investment discretion over the Plan's assets.
- Appointment of custodians, investment advisors and managers whose expertise is deemed to be appropriate and necessary.
- Revising this investment policy to reflect changing conditions within the Plan, or to refine the policy in order to make it more effective.
- Establishing and periodically reviewing the appropriateness of the Plan's asset allocation policy for participation in and commitment of funds to various asset classes.
- Appointing and reviewing the appointment of agents and advisors such as the Plan's actuary, auditor, and investment consultant.
- Delegating specific responsibilities to the Director of Finance, i.e.
    - Maintaining liquidity to meet pension obligations
    - Meeting with Investment Managers
    - Evaluating and rebalancing assets including contributions and Plan cash flows between asset classes and Investment Managers within the ranges specified in the investment policy.
    - Managing the custodian banking relationships
    - Monitoring programs such as commission recapture

### The Director of Finance

In this document, the term "Director of Finance" refers to the Director of Finance of the Finance Department of Fulton County. The Director of Finance has been delegated day-to-day management responsibilities for Plan assets and the relationships with other agents and advisors. These responsibilities include authority to make and put into effect administrative and operational decisions with respect to the Plan and to reinvest Plan assets not allocated by the Board. The Director of Finance is a member of the Board and serves as Executive Secretary Treasurer for the Board and reports actions for the prior month at the next monthly meeting.

The Director of Finance's responsibilities include:

- Complying with the investment policy.
- Making and executing all administrative and operational decisions dealing with the investment and reinvestment of all Plan assets, and all other administrative and operational decisions, including approving and paying invoices which are the responsibility of the Director of Finance.
- Evaluating and rebalancing the asset allocation of the Plan's assets, as required.
- Allocating contributions and other Plan cash flows to Investment Managers or to other investment accounts established under the Plan.
- Maintaining liquidity to meet pension obligations.
- Meeting with Investment Managers and monitoring investment performance.
- Managing the custodial banking relationship.
- Monitoring other programs including the directed brokerage programs.
- Monitoring Plan performance to assure that objectives are being met and that policies and guidelines are being followed.
- Reporting to the Board on all matters
- Notifying the Board of any and all fraudulent activities.
- Notify the Board of any special dispositions granted pursuant to page 19 within 30 days of granting said disposition.

### The Custodian

In this document, "Custodian" refers to the organization appointed by the Board to perform the fiduciary functions of custodian for the Plan.

The custodian's responsibilities include:

- Acknowledging fiduciary responsibility in writing with respect to the Plan.
- Complying with the investment policy.

- Fulfilling all the regular fiduciary duties required of a custodian by pertinent state and federal laws and regulations.
- Safekeeping the assets of the Plan in accordance with the Plan Agreement.
- Pricing all securities regularly and posting transactions daily.
- Maintaining short-term investment vehicles for investment of cash not invested by the managers and sweeping all manager accounts daily to ensure that all available cash is invested.
- Supplying timely reports of transactions and valuations of the assets.
- Notifying the Board of any fraudulent activity.

**The Investment Manager(s)**

In this document, "Investment Manager" refers to the organization(s) appointed by the Board to invest and manage the assets of the Plan.

The Investment Manager(s) is responsible for:

- Acknowledging fiduciary responsibility in writing with respect to the Plan.
- Complying with the investment policy.
- Being currently registered and maintain registration as an investment advisor under the Investment Advisors Act of 1940, a bank (as defined in the Act), or an insurance company qualified to perform investment management services under the law of more than one state unless otherwise approved on an exception basis; and
- Being an SEC Registered Investment Advisor.
- Providing the Board with proof of liability and fiduciary insurance coverage (minimum of $500,000).
- Determining the investment strategy within policy guidelines established by the Board.
- Managing, acquiring or disposing of the assets of the Plan pursuant to the Plan documents.
- Implementing security selection and timing within policy guideline limitations.
- Supplying timely written quarterly reports of investment performance results to the Director of Finance and/or members of the Board.
- Meeting with the Director of Finance and/or the Board at least once per year to review the performance and discuss current strategy.
- Notifying the Board and Director of Finance in writing of any material deviation from the stated investment approach.
- Notifying the Board of any fraudulent activity.

- Notifying the Board of any firm ownership or structure changes, financial irregularities, or changes in personnel.

**The Investment Consultant**

The investment consultant is responsible for:

- Acknowledging fiduciary responsibility in writing with respect to the Plan.
- Complying with the Investment Consultant responsibilities outlined in the investment policy.
- Measuring and reporting the investment performance results on a quarterly basis.
- Evaluating the Plan on an ongoing basis in matters as it relates to investment oversight.
- Monitoring the asset allocation for compliance within the policy ranges and as to the appropriateness of the current allocation policy.
- Reviewing the investment policy annually for appropriateness of current policy.
- Advising the Board as to the performance and continuing appropriateness of each Investment Manager.
- Monitor Investment Managers for compliance with stated style and firm changes, also for compliance with the investment policy.
- Recommending modifications to the investment policies, objectives, guidelines or management structure as appropriate to the Board.
- Keeping the Board and Director of Finance informed on current investment trends and issues.
- Notifying the Board of any known fraudulent activities relating to the investment consulting firm.
- Providing formal educational sessions to the Board.

# III. ASSET ALLOCATION

The primary goal of pension investments is to ensure that pension liabilities are met when due. Plan assets should thus be invested in a manner that maximizes the probability of meeting pension liabilities. The target should be for Plan assets to remain above the present value of benefits earned by all plan participants as of the calculation date. The liability measure for this present value calculation is normally the Accumulated Benefit Obligation (ABO) as calculated under U.S. Government Financial Accounting Standard GAS 25.

In developing strategic asset allocation guidelines for the Plan, an emphasis is placed on the long-term characteristics of individual asset classes, and the benefits of diversification among multiple asset classes. Consideration is also given to the proper long-term level of risk for the Plan, particularly with respect to the following:

- The long-term nature of the Plan's liabilities.
- The current actuarial status of the Plan.
- The impact of asset allocation on investment results, and the corresponding impact on the volatility and magnitude of plan contributions and expense.

The secondary goal of Plan investments is to maximize long term investment return consistent with a reasonable level of risk. Investment return is defined as the sum of dividends, interest, and other net income, plus both realized and unrealized gains and losses, based on the market value of Plan assets net of all investment fees and expenses.

Legal requirements must, of course, be met in deciding how to invest Plan assets. Within these constraints, however, assets should be invested so as to provide for the solvency of the Plan over time and to maximize the investment return within a reasonable level of risk.

**Investment Philosophy and Strategy**

This document represents the conclusions and decisions made after a deliberate and focused review of the Plan's expected obligations and funding resources over a long range future period. The Plan's investments are designed to:

- Ensure the availability of funds for benefits as they become due
- Reduce the cost of the Plan's benefits to the County,
- Insulate the Plan's assets against the deterioration of purchasing power caused by inflation.
- Maximize the total return subject to prudent risk-taking
- Diversify assets across and within capital markets

Although the Board will review investment performance and investing activities on a regular, periodic basis, the formation of judgments and the actions to be taken on those judgments will be aimed at matching the emerging long-term needs of the Plan with the proven, long-term performance patterns of the various investment markets.

The Board recognizes that investment markets have repeatedly demonstrated broad performance cycles having two fundamental characteristics, which bear heavily on the Plan's expectations toward its future:

- The cycles cannot be accurately predicted as to either their beginning points, ending points, or their magnitude, and

- There is little or no relationship between market cycles and the convenient calendar periods commonly used in business for measurement and evaluation.

The Board will exercise due care at all times to adequately diversify Plan assets as it implements strategies to achieve the objectives for the Plan. A thorough due diligence will be conducted and documented in implementing specific investment strategies. Several philosophical beliefs underpin how the assets of the Plan should be structured. They are:

- Over the long term, equities are expected to outperform fixed income investments. Furthermore, the long term nature of the Plan's liabilities makes them well-suited to bear the added variability of return from equities in return for the greater long term expected return. Accordingly, the Plan's asset allocation will favor high allocations to equities unless circumstances warrant otherwise.

- A portion of the Plan's assets may be invested passively, however, the capital markets are sufficiently inefficient and the rewards are of sufficient magnitude to warrant pursuing some active management of the Plan's assets with the expectation of outperforming passive (index) alternatives over time.

- Foreign equities may diversify some of the volatility of the U.S. equity market while providing comparable long term returns and expanding the investment opportunities of the Plan.

**Development of Long Term Asset Allocation Policy**

An asset/liability study will be conducted periodically to determine an appropriate long term asset allocation policy designed to achieve the stated investment objectives.

Asset allocation decisions should be of a more strategic nature. Therefore, the Plan's asset allocation targets and ranges should be reviewed every three to five years. Some specific occurrences which might prompt the Board to undertake an earlier review include:

- Significant changes in Plan demographics, benefit design or actuarial methodology.
- Significant changes in the prospects for County revenue growth, for growth of the work force, or for growth of employee salaries.
- Significant changes in capital markets performance, the outlook for future asset class returns and/or the availability of acceptable new asset classes.
- The passage of relevant new legislation or regulations.

Specific asset allocation policy issues may be visited whenever the Board deems necessary.

**Asset Classes to be Utilized**

The Board has considered and accepted the use the following:

(a) Domestic Stocks (including REITS), which include small, mid, and large market capitalization ranges.

(b) International stocks including emerging markets.
(c) U.S. Treasury Notes and Bonds, U.S. Government Agency Securities, Mortgage-Backed Securities*, and U.S. Corporate Notes and Bonds.
(d) Other**

* *Includes Non-Agency issues which are fully collateralized by Agency paper.*
** *Includes all other types of investments which are permitted under the Board's Enabling Resolutions, and Georgia law.*

There should be a negligible permanent allocation to cash equivalents.

**Long-Term Target Allocations**

After significant study of long-term historical capital market performance, and professional consultation on the subject, the Board finds the following mixture of asset classes at the specified targets are likely to produce the desired appropriate long-term performance within tolerable short-term performance fluctuation levels over time.

The asset class targets based on market values are as follows:

| Asset Class | Target |
|---|---|
| US Large Cap Equity | 43% |
| US Small/Mid Cap Equity | 17% |
| International Equity | 15% |
| US Aggregate Fixed Income | 25% |
| Cash and Other | 0% |

**Allowable Ranges Around Target Allocations**

The Board recognizes that a rigid asset allocation would be both impractical and, to some extent, undesirable under various possible market conditions. Therefore, the allocation of the Plan's total assets may vary from time to time within the following ranges, without being considered an exception to this investment policy.

It will be the policy of the Plan to invest assets in accordance with the maximum and minimum ranges for each asset class approved for investment. The asset allocation ranges established by this investment policy represent a long-term perspective. As such, rapid, unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside the policy range. These divergences should be of a short-term nature. The Director of Finance will be responsible for rebalancing aggregate Plan assets and ensuring that divergences are as brief as possible.

The ranges are based on the market value of assets and assume compliance with the state regulations.

| Asset Class | Range |
|---|---|
| US Large Cap Equity | 38% - 48% |
| US Small/Mid Cap Equity | 12% - 22% |
| International Equity | 10% - 20% |
| US Aggregate Fixed Income | 20%- 30% |
| Cash and Other | 0% - 5% |

The book or cost value of total equity assets may not exceed 75% in compliance with the existing Public Retirement Systems Investment Authority Law (House Bill 371). Due to this restriction, the asset allocation will be managed in order to comply with the state law first and the targets specified above second, which are based on market value rather than book value.

At any point in time when one of the Plan's Investment Managers wishes to present what it considers compelling evidence for tactical, short-term allocation shifts which would cause the Plan's total asset allocation to fall outside the above ranges, the Board will generally consider such requests. However, the paragraph on Market Timing should be taken into consideration by the Board when reviewing such a request.

The Investment Consultant and the Director of Finance will be responsible for monitoring the asset allocation. An allocation outside of the permissible ranges for a consecutive 3 month period should result in a rebalancing. (Please refer to Section IV. for more information on rebalancing.)

# IV. IMPLEMENTATION ISSUES

**Allocations Among Different Investment Management Styles**

In considering asset classes, the Board, with professional assistance, has concluded that different investment styles would provide a high degree of diversification for the Plan and expand the probability of achieving or exceeding the expected overall return results. As a result, the Board will generally strive for a relatively equal balance among the different active management styles which are considered non-core. However, there will be a bias toward equity styles which emphasize the large, highly liquid stocks over the small, less liquid companies and toward fixed income styles which favor liquid bonds over those which are less liquid.

Within the equity segment, the Board has agreed to invest in the following asset styles:

(a) Large Capitalization Core - This management style maintains a portfolio of all, or nearly all, of the 500 stocks which make up the S&P 500 index.

(b) Large Capitalization Growth - This management style generally emphasizes earnings growth and expected return on equity, with little emphasis on dividends.

(c) Large Capitalization Value - This management style generally concentrates on stocks characterized by above average yields, below average price/book ratios, strong balance sheet characteristics and free cash flow.

(d) Small/Mid Capitalization Core - This management style concentrates in securities with small to mid range market capitalizations. This segment of the equity market provides for a more aggressive growth strategy which employs more risk with added return potential.

(e) International Equity Core - This management style is accessed through the use of mutual fund vehicles. The assets may be managed on a bottom-up or top-down basis, employ currency hedging, and include emerging market country exposure.

The Board of Trustees will determine which asset styles will be managed active vs passive. Bonds will primarily be invested in an active strategy which will employ all legally permitted fixed investments which are allowed by this policy across all maturities. In the event the liability pattern changes, other strategies may be employed.

**Manager Selection**

The Board will hire competent registered professional Investment Managers to manage the assets of the Plan. No Investment Managers shall be hired who have not, by their record and experience, demonstrated their fiduciary responsibility, their investment expertise, their investment experience, and their capacity to undertake the mandate for which they are being considered.

The Board will conduct a thorough due diligence meeting before the appointment of any Investment Managers.

**Manager Terminations**

Investment Managers will be terminated whenever in the opinion of the Board:

- They have committed a significant or intentional breach of their mandate or directive, they have experienced the loss of key personnel, they have breached a fiduciary duty, or for any other reason they have lost the confidence of the Board.

- Their performance has been inconsistent with the expectations of the Board.

- Performance has not been acceptable. Generally, decisions based on performance will be made only after a full market cycle (3 to 5 years), although the period may be shorter when severe underperformance or other evidence exist that suggests inconsistencies between the Investment Manager's stated style and the characteristics of investments actually made.

The Investment Consultant will make clear recommendations to the Board on the terminations of Investment Managers.

**Board's Attitude Toward Market Timing and Short-Term (Tactical) Allocation Shifts**

The Board believes the Plan's Investment Managers should be allowed the opportunity to invest the Plan assets without undue interference. However, with this Policy, the Board is establishing a carefully determined level of market risk exposure, and the Investment Managers are specifically directed not to alter that exposure.

The Board has reviewed considerable evidence that the passage of time causes the greatest rewards to accrue as a result of consistent investing approaches, and that the Plan's risk exposure could become unpredictable without careful adherence to asset allocation guidelines. It is not the intention of this policy to allow short-term judgments to introduce significant unplanned risk, or, conversely, to reduce intended market risk exposure. Accordingly, the Board recognizes that the mandates of this policy will occasionally appear to be either too risky or too conservative for current market conditions (depending upon the observer's viewpoint). However, the Board also recognizes that experts rarely agree about the near term direction of the capital markets, and that the use of short term timing strategies has generally proven to be a poor guide for action, especially regarding a matter so significant as funding long term pension liabilities.

**Unallocated Cash**

The Board will generally attempt to see that the Plan's assets include a cash reserve sufficient to pay benefits due within a reasonable future period. Therefore, any Investment Manager performing under this policy is not expected to accumulate a significant cash position, without prior approval of the Board, unless the basic investing style of that manager includes a routine, temporary use of instruments having a maturity of less than one year (and the Board has been informed and agreed to the use of that style element in advance). In general, "significant" means more than 10% of the value of assets under a particular manager's control.

**Rebalancing Among Asset Classes and Management Styles**

Because different asset classes and investing styles will perform at different rates, the Director of Finance will monitor the asset allocation shifts caused by performance. Accordingly:

(1) The Director of Finance will review the relative market values of the asset segments, whenever there is to be a net contribution to the Plan and will generally place the new money under investment in the category(ies) which are farthest below the target allocations in this policy, and

(2) To the extent that adequate rebalancing among asset categories cannot be effected via the allocation of new contributions, the Director of Finance may redirect assets from one manager to another, if necessary to avoid violating the target ranges in this policy.

**Commission Recapture**

A commission recapture program has been implemented with approval from the Board with the objective of reducing net transaction costs incurred by the managers in executing trades by recapturing brokerage commissions for the Plan. In addition to providing lower overall brokerage costs, managers participating in the program will also be expected to provide the 'best execution' of trades. The Director of Finance will monitor the program on a quarterly basis. Terms of the agreement will be periodically reviewed in order to determine its appropriateness.

Targeted recapture ratios will be determined by the Board and may vary depending on asset class. All managers must notify the Board and Director of Finance if not able to comply. This list will be reviewed periodically in order to determine its appropriateness.

**Proxy Voting**

Investment Managers have the responsibility for voting proxy issues on securities held. All proxies will be voted exclusively for the best interests of the Plan and their participants. Managers will maintain written policies for proxy voting and keep a proper record of all proxies to which the Plan is entitled. The Director of Finance monitors semi-annually how proxies have been voted, and will periodically evaluate manager proxy voting policies, procedures and guidelines.

# V. PERFORMANCE OBJECTIVES

## Standards of Performance

In consideration of the Plan's investment goals and objectives, several standards will be utilized in evaluating investment performance. These standards reflect several aspects of investment performance, including the specific objectives for the mandate, the market indices, and the performance of other Investment Managers.

The Board recognizes that Investment Managers must use the broad capital markets as their basic tools for investing and that a substantial portion of investment returns will not be attributable to management skills, but rather to the markets themselves. However, the Board expects active Investment Managers to add value to the broad markets' returns, net of fees. Accordingly, the Board will consider performance of active Investment Managers to be adequate, if index-based value-added performance margins are achieved, net of fees.

## Performance Objectives

The Board will evaluate the quarterly performance reports provided by the investment consultant. The performance objectives are to be used as a basis for reviewing and monitoring a particular manager, not as an absolute measure that requires manager termination if they are not achieved. The performance objectives of the total Plan and Investment Manager are as follows:

### *Total Plan*

The performance of the total Plan (net of fees) will be compared to a balanced index constructed as follows:

| *Index* | *Percentage Weight* |
|---|---|
| S&P 500 | 43.00% |
| Russell 2000 | 17.00% |
| MSCI Net EAFE | 12.75% |
| MSCI Net Emerging Markets | 2.25% |
| Barclays Aggregate | 25.00% |
| Total | 100.00% |

The weighting of the balanced index corresponds to the targeted strategic allocation to each asset class. For performance calculations, the weightings of the Balanced Index shall be readjusted quarterly.

### *Investment Managers*

The following table lists the market index benchmarks and manager universe comparisons for each asset category. The Investment Managers are expected to produce total returns, net of fees, that exceed their benchmark and that rank above the median in performance of the manager universe listed over a three- to five-year period. Volatility of returns should be commensurate with stated expectations.

| Investment Manager | Market Index Benchmark | Manager Universe |
|---|---|---|
| Large Cap Core | S&P 500 Index | Large Capitalization Core |
| Large Cap Value | Russell 1000 Value Index | Large Capitalization Value |

| | | |
|---|---|---|
| Large Cap Growth | Russell 1000 Growth Index | Large Capitalization Growth |
| Small Cap Core | Russell 2000 Index | Small Capitalization Core |
| International | MSCI Net EAFE and Net Emerging Mkts | International Equity Core |
| Domestic Fixed Income | Barclays Aggregate Index | Domestic Fixed Income |
| Real Estate | NCREIF Index | Domestic Real Estate |

# VI. OPERATIONAL GUIDELINES

### General

The Investment Managers shall exercise due care at all times to adequately diversify their portfolio to protect against any loss associated with a single security, issuer, or single event. Assets are to be managed in conformity with the stated investment guidelines unless, in the manager's opinion, to do so would clearly be imprudent. The Investment Managers shall notify the Board and Director of Finance in writing immediately of any deviations from the investment guidelines.

### Exemptions

Although the following vehicles are expected to comply with "the spirit " of this investment policy, they are exempt from the provisions of this policy and as such the prospectus and/or appropriate fund documents will replace this policy as the legal governing document for such funds:

- mutual funds,
- commingled funds,
- group trusts, and
- common trust funds.

Managers shall notify the Board and Director of Finance in writing immediately of any cases where the operational guidelines for these vehicles conflict with the provisions of this investment policy.

### Number of Managers to Be Used

In order to improve overall portfolio performance and further reduce risk, the Board has recommended the use of multiple Investment Managers.

### Management of Investment Risks

The investment risks that a manager introduces in managing a portfolio can be grouped into two broad categories: benchmark sensitivity risk and security selection risk. The first risk category relates to portfolio return volatility relative to that of its benchmark. The second risk category relates to the manager's active portfolio construction decisions (i.e., industry and security selection and concentration, and other attributes like financial characteristics).

All managers are expected to adhere to the standards listed in the Georgia Code in addition to the following standards. The investment mandate for each manager will also include ranges within which portfolio returns may be expected to deviate from those of the benchmark under normal conditions based on the manager's unique style of management. These ranges, together with the manager's return target, will become part of the performance evaluation and review standards.

| Standards | Equities | Fixed Income |
|---|---|---|
| **Minimum Diversification**<br>(a) Single security issue<br>(b) Single economic sector group (per The Bloomberg Industry Group or other recognized publisher of sector and industry groups)<br>(c) Corporate issuer | (a) At time of purchase, no issuer shall exceed 6% of portfolio (at cost*) or 1.5x issuers weighting in associated benchmark, whichever is greater. The market value of holdings for individual issuer will not exceed 10% of portfolio value.<br>(b) The Portfolio weighting of a single economic sector will not exceed 35% of portfolio at market value or 2x that sectors weighting in the associated Index, whichever is greater. | (a) Maximum 5% at cost* (25% for any U.S. Government Treasury and Agency security)<br>(b) Maximum 15%* (except U.S. Govt.)<br>(c) Maximum of 5% per corporate issuer, excluding US Government agencies |
| **Percentages relate to the market value of any single Investment Manager's portfolio (not to the total Plan) and are based on manager's benchmark.* | | |
| **Minimum Liquidity** | (a) Traded daily on one or more major national exchanges (including NASDAQ)<br>(b) $100 million or more of market capitalization | Remaining outstanding principal value of the issue must be (and remain) at least $30 million, without Board approval, excluding issues of agencies of the US Government. |
| **Minimum Quality** | | Quality ratings:<br>Minimum:<br>S&P: BBB (2.5% maximum per corporate issue)<br>Moody's: Baa<br>Expected Average:<br>S&P: A-<br>Moody's: A3<br>Securities purchased cannot be rated below investment grade by any rating agency. The lowest rating assigned must be used in calculating the average rating of portfolio. Purchased securities can carry only one rating as long as that rating is at or above investment grade. Securities which are downgraded below the policy minimum must be liquidated. The manager has discretion regarding timing, but in no event will the liquidation exceed 30 days from the date of the downgrade. |

| Standards | Equities | Fixed Income |
|---|---|---|
| **Bond Maturities** | | (a) Minimum (single issue) maturity: None, but maturities under 12 months will be viewed as 'cash' under this policy<br>(b) Maximum remaining term (or estimated term) to maturity (single issue) at purchase: 30 years<br>(c) Maximum duration: +/ 2 year of Benchmark Index |
| **Prohibited Categories** | (a) Short sales or "naked options"<br>(b) Margin purchases<br>(c) Issuer related to the Investment Manager<br>(d) Restricted stock<br>(e) Writing of covered call options<br>(f) Futures contracts (unless designed to manage risk exposure) | (a) Issues related to Investment Managers<br>(b) Issues traded flat (not accruing interest) due to default<br>(c) Interest-only (stripped) instruments<br>(d) Non-rated paper/private placements and revenue bonds<br>(e) Derivative instruments (unless designed to manage risk exposure)<br>(f) Foreign securities, unless specifically exempted from Georgia state law<br>(g) Real estate<br>(h) Convertible debt |
| **Special Categories Permitted** | (a) Convertible debt<br>(b) Foreign securities (excludes ADRs and BDIs) which are actively traded on a US stock exchange are permitted up to 10% of the manager's portfolio.<br>(c) American Depository Receipts (ADRs) and Benefit Driven Incorporated Company (BDIs) are permissible without limitation. | (a) Bond swaps<br>(b) Zero-coupon instruments<br>(c) Principal-only (stripped) instruments<br>(d) Canadian bonds |
| **Securities which no longer meet the guidelines** | Any security which, after purchase, fails to meet the policy guidelines must be sold within 30 days, unless the manager requests and receives special approval from the Director of Finance for a longer period in which to bring the portfolio back into policy compliance. | Any security which, after purchase, fails to meet the policy guidelines must be sold within 30 days, unless the manager requests and receives special approval from the Director of Finance for a longer period in which to bring the portfolio back into policy compliance. |
| **Written Reports to the Board** | At least quarterly | At least quarterly |

**Derivatives Investment Policy**

Derivatives are financial instruments whose value is derived from the value of another asset, such as stocks, bonds, currency, indices or commodities. Derivatives permit multiple risks often bound together in traditional investment instruments to be separated and managed independently, thereby allowing for more efficient management of portfolio risk, the possible achievement of increased returns and/or the opportunity to reduce transaction costs.

In general, the following uses of derivatives are approved for portfolio management purposes, although specific written permission must be granted to each manager on a case-by-case basis in formal written guidelines.

- As an essential element of risk control
- To facilitate duration management
- As a substitute for physical investing

Before a derivative security or derivative strategy is used by an investment manager, one or more of the following benefits must be demonstrated to the Committee:

- Increased liquidity
- Stabilized and enhanced portfolio returns
- Lower transaction costs, including market impact costs
- Reduction in the time required to change the mix of the portfolio

Derivative securities or strategies that do not comply with the basic investment objectives of this Policy (i.e. an emphasis on the preservation of principal consistent with conservative growth of assets) are not permitted. Managers are specifically prohibited from using derivative or synthetic securities whose characteristics as implemented by the manager include potentially high price volatility and whose returns are speculative or leveraged (when considered together with liquid/short term securities positions) or whose marketability may be severely limited.

**Mortgage Derivatives**

Investment in derivative securities known as Collateralized Mortgage Obligations (CMOs) shall be limited to a maximum of 15% of an account's market value with no more than 5% in any one issue, and shall be collateralized by GNMA, FNMA, or FHLMC mortgages only. Securities must comply with the following guidelines:

**Cash Flow**: The cash flows of a security will be such that its effective maturity will vary by no more than five years and will remain within the parameters established under moves of ±300 basis points in interest rates and a minimum prepayment assumption of 100 PSA. Bloomberg's median dealer prepayment estimates shall be used as the baseline expectations for prepayment changes under all scenarios.

**Yield**: The expected yield of a security will be such that a positive option adjusted spread over Treasuries will be earned under moves of ±300 basis points in interest rates and a minimum prepayment assumption of 100 PSA. Bloomberg's median dealer prepayment estimates shall be used as the baseline expectations for prepayment changes under all scenarios.

**Liquidity**: The security must be sufficiently liquid such that at least two dealers will quote prices on request. Its cash flows must be modeled on the Bloomberg and one of either the "Capital Management Sciences" or the "Impact" systems.

# VII. EVALUATION AND REVIEW

**Review of Investment Managers**

The Investment Managers will discharge their responsibilities with respect to that portion of the Plan's assets under their management in accordance with fiduciary responsibility provisions.

The Board will continuously monitor its Investment Managers and review performance at least quarterly. The Board's ongoing performance monitoring will emphasize, but not be limited only to, the following:

- Each manager's adherence to their guidelines
- Comparison of manager results to appropriate peer groups
- Material changes in the manager's organization, such as philosophy and personnel changes, acquisition or loss of major accounts, control change, etc.

**Frequency of Meetings**

The Board expects to meet with each of the Plan's Investment Managers (perhaps excluding the market index manager) annually, but not normally more often, unless there is a special agenda.

**Manager's Adherence to Their Published Investing Style**

As stated in other parts of this policy, the Board will have little or no tolerance for an inconsistent investment approach. Therefore, the Board will carefully monitor their Investment Managers on several key indicators of possible inconsistency:

(a) Changes in portfolio managers

(b) Surges in portfolio trading volume

(c) Break in continuous evidence that actual portfolio characteristics follow published investing style

(d) Performance patterns not logically explainable in terms of the published style or performance out-of-step with manager's style peer group.

None of these indicators will be taken as conclusive evidence of inconsistency. Such a finding would be based upon the facts and circumstances of each situation.

**Expected Interim Progress Toward Multi-Year Objectives**

The Board will follow its time horizons, as set forth in this policy amendment, when making judgments about indications of inferior performance. However, Investment Managers for the Plan should be advised that the Board intends to track the interim progress toward multi-year goals. If there is a clear indication that performance is so substandard that reasonable hope of recovery to the policy's target level in the remaining time horizon period would require either high risk or good fortune, then the Board will not feel constrained by this policy to avoid an "early" decision to take corrective action.

In the case of material guideline exceptions, the manager will be required to bring the portfolio into immediate compliance.

**Watch List**

The Watch List is a mechanism used by the Board to express its general discomfort with or loss of confidence in an investment management firm. Discomfort may be caused by deficiency in performance, departure of key personnel, material changes in managed assets and clients, financial instability, change in organizational or ownership structure, consultant downgrade, investment strategy or style deviation, contravention of any term or condition of the Investment Management Agreement or any other issue believed to undermine the Board's confidence in the Investment Manager.

Based on criteria that are indicators of legitimate relationship and investment performance problems, both qualitative and quantitative criteria of the Investment Manager shall be monitored on an ongoing basis.

Qualitative criteria include the Investment Manager's business, people, investment process and downgrade in research rating. Non compliance with qualitative criteria will trigger a due diligence review and may lead to a recommendation to Watch List or terminate the Investment Manager. Quantitative analysis of performance will focus on the following:

- 1-year return versus the benchmark outside 90th percentile will trigger a due diligence review unless the investment management option is an index fund or like kind investment
- 3-year return versus the benchmark outside 67th percentile will trigger due diligence review and recommendation to the Board, which may lead to a Watch List or termination recommendation.
- Cumulative annualized performance over a three-year period less than 90% of the value of the benchmark return.

Violations of any quantitative and qualitative criteria will trigger an automatic due diligence review, which may lead to placement on the Watch List or termination. A firm placed on the Watch List will remain on the Watch List for at least two consecutive quarters. A firm may be removed from the Watch List at the discretion of the Board. The Watch List Policy does not limit the Board's ability to retain or terminate the Investment Manager. Any Investment Manager on the Watch List may be restricted from receiving additional funding by the Board. If the Board determines (with advice from the consultant) the manager is unlikely (without style drift) to meet the requirements, the manager will be terminated.

# VIII. POLICY MODIFICATION AND REVISION

**Frequency of Policy Review**

The Board may use their periodic investment performance evaluations as occasions to consider whether any elements of the existing policy are either insufficient or inappropriate. Key occurrences which could result in a policy modification include:

(a) significant changes in expected patterns of the Plan's liability stream

(b) impractical time horizons

(c) changes in applicable governing laws

(d) convincing arguments for changes presented by Investment Managers

(e) areas found to be important, but not covered by policy

(f) long-term changes in market trends and patterns that are materially different from those used to set the policy.

The Board views this investment policy on the one hand as the basic tool for the execution of a long range investing program, and on the other hand as a dynamic document which is responsive to any needs for fundamental or minor change. In summary, the Board recognizes that a potentially damaging inconsistency would likely occur if investment policy undergoes significant modifications over relatively short periods, or if it is overridden in an attempt to "react" to current market conditions from time to time.

The investment consultant will review the investment policy statement annually and make formal recommendations to the Board regarding any changes. Investment Managers will be notified of revisions to the policy and will be expected to adopt the policy by signing the Policy Adoption form.

# IX. POLICY ADOPTION

This policy document was adopted by the Board on October 9, 2013.

Investment Manager's Acknowledgements:

I (we) have received this copy of the Plan's investment policy. I (we) have studied its provisions and believe that I (we) can both abide by its restrictions and fulfill its goals and expectations over the timetables set forth in the policy.

____________________________________

Firm Name

_______________________________________ __________________

Portfolio Manager Date

Attachment B

Fulton County Employees' Retirement System

Actuarial Report

Segal Consulting

# Fulton County Employees Retirement System

**Actuarial Valuation and Review as of January 1, 2014**

Segal Consulting
2018 Powers Ferry Road, Suite 850 Atlanta, GA 30339-7200
T 678.306.3100 F 678.306.3190 www.segalco.com

*April 1, 2014*

*Board of Trustees*
*Fulton County Employees Retirement System*
*141 Pryor Street, Suite 7001*
*Atlanta, GA 30303*

*Dear Board Members:*

*We are pleased to submit this Actuarial Valuation and Review as of January 1, 2014. It summarizes the actuarial data used in the valuation, analyzes the preceding year's experience, and establishes the funding requirements for fiscal 2014.*

*This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Retirement System. The census information and financial information on which our calculations were based was prepared by the staff of Fulton County. That assistance is gratefully acknowledged.*

*We hereby certify that the Fulton County Employees Retirement System has been funded in conformity with the minimum funding standards specified in Code Section 47-20-10 of the Official Code of Georgia Annotated, known as the Public Retirement Systems Standards Law. This certification covers the 2014 fiscal year of the Plan.*

*The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.*

*The actuarial calculations were directed under the supervision of Deborah K. Brigham, FCA, ASA, MAAA, Enrolled Actuary. Ms. Brigham is a member of the American Academy of Actuaries and meets the Qualification Standards of the American*

*Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the System.*

*We look forward to reviewing this report at your next meeting and to answering any questions.*

*Sincerely,*

*Segal Consulting, a Member of The Segal Group, Inc.*

*By:*

| | |
|---|---|
| *Eric J. Atwater, FSA, FCA, MAAA, EA* | Deborah K. Brigham<br>*Deborah K. Brigham, FCA, ASA, MAAA, EA* |
| *Vice President and Consulting Actuary* | *Vice President and Actuary* |

## SECTION 1

### VALUATION SUMMARY



## SECTION 2

### VALUATION RESULTS



## SECTION 3

### SUPPLEMENTAL INFORMATION



## SECTION 4

### REPORTING INFORMATION

## Purpose

This report has been prepared by The Segal Company to present a valuation of the Fulton County Employees Retirement System as of January 1, 2014. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board;
- The characteristics of covered active participants, inactive vested participants, and retired participants and beneficiaries as of January 1, 2014, provided by the County;
- The assets of the Plan as of December 31, 2013, provided by the County;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

## Significant Issues in Valuation Year

1. The Annual Required Contribution (ARC) has increased from $52.9 million as of January 1, 2013 to $55.3 million as of January 1, 2014. Chart 14 on page 13 in Section 2 of this report shows a reconciliation of recommended contribution amounts. There was an increase from shortening the amortization periods on current and past gains and losses by five years. That increase was partially offset by net experience gains this year.
2. The ARC includes the System's normal cost plus a payment on the unfunded actuarial accrued liability. The payment on the unfunded liability is based on amortization bases that are established each year and are amortized over closed periods. Effective as of January 1, 2014, the Board approved shortening the periods for experience gains and losses from 25 years to 20 years. This change increased the ARC by $7.1 million.
3. Georgia Code Section 47-20-10(b) allows a Plan to be in compliance the minimum funding standards under Georgia law if the sponsor makes contributions equal to or greater than the ARC under Governmental Accounting Standards Board (GASB) Statement No. 25. The lowest ARC allowable under GASB 25 is based on a 30-year level percent-of-pay amortization of the Plan's unfunded actuarial liability (UAL). The employer is making annual contributions in excess of this amount, and therefore the Plan is in compliance with Georgia law.

4. Additionally, the Georgia law allows sponsors to offset future required contributions with accumulated contributions in excess of the minimum (i.e., credit balance). Since the County contributed more than required for 2013, the credit balance has increased from $3.9 million to $9.1 million since the last valuation.
5. The investment rate of return on an actuarial basis for the year ended December 31, 2013 was 13.63%. Since the rate of return was greater than the assumed rate of return of 7.80% per year, there was an actuarial investment gain amounting to $61.6 million. The return on a market value basis was 21.76%. The smoothed actuarial value of assets is 90.3% of the market value of assets as of the valuation date. Chart 11 on page 9 details the Plan's actuarial value and market value returns over the last seven years.
6. Last year, active salaries were projected to increase by 0% in 2013, 2% in 2014 and 4% thereafter. The assumption has been changed with this valuation to 3% for 2014 and all future years.
7. The GASB funded ratio for this Plan, based on the actuarial value of assets, increased from 68.59% as of January 1, 2013 to 72.96% as of January 1, 2014. The schedule of funding progress is shown in Exhibit III of Section 4. On a market value basis, the funded ratio has increased from 70.68% to 80.80%.
8. Effective for plan years beginning after June 15, 2013, new GASB disclosures for the System are required as set forth in Statement 67. Segal Consulting will work with Fund staff to provide these disclosures at the end of the 2014 Plan Year.
9. As requested by County Staff, the ARC has been allocated to various County Funds and to DFACS. The allocation schedule is provided on page iv in this section.
10. The actuarial valuation report as of January 1, 2014 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Unfavorable asset experience will increase the actuarial cost of the Plan, while favorable experience will decrease the actuarial cost of the Plan.
11. The audited financial information received states all results rounded to the nearest thousand. The results in this valuation are shown to the dollar. Therefore, occasionally rounded numbers are combined with unrounded ones.

## Summary of Key Valuation Results

| | 2014 | 2013 |
|---|---|---|
| **Contributions for plan year beginning January 1:** | | |
| Recommended contribution | $55,255,317 | $52,881,747 |
| Actual employer contributions | -- | 56,244,000 |
| Georgia credit balance | $9,130,359 | $3,857,818 |
| **Funding elements for plan year beginning January 1:** | | |
| Normal cost, including administrative expenses | $4,580,594 | $5,823,591 |
| Market value of assets | 1,299,975,000 | 1,115,296,000 |
| Actuarial value of assets | 1,173,841,252 | 1,082,179,774 |
| Actuarial accrued liability | 1,608,975,544 | 1,577,864,746 |
| Unfunded actuarial accrued liability | 435,134,292 | 495,684,972 |
| **GASB 25/27 for plan year beginning January 1:** | | |
| Annual required contributions (ARC) | $55,255,317 | $52,881,747 |
| Annual contributions | -- | 56,244,000 |
| Percentage of ARC contributed | -- | 106.36% |
| Funded ratio | 72.96% | 68.59% |
| Covered payroll | $36,257,860 | $42,622,389 |
| **Demographic data for plan year beginning January 1:** | | |
| Number of retired participants and beneficiaries | 3,137 | 3,071 |
| Number of vested former participants | 23 | 23 |
| Number of active participants | 678 | 811 |
| Total payroll | $36,257,860 | $42,622,389 |
| Average payroll | 53,478 | 52,555 |

## Annual Required Contribution Allocated by Fund

| Fulton County Fund | Fund Number | Percentage of Total Liability | Annual Required Contribution* |
|---|---|---|---|
| General | 100 | 67.92% | $37,702,451 |
| Airport | 200 | 0.13 | 71,001 |
| Water & Sewer | 201 & 203 | 2.85 | 1,637,082 |
| Old SSD | 300 | 7.85 | 4,178,756 |
| South Fulton District | 301 | 8.39 | 4,731,024 |
| Emergency 911 | 340 | 0.49 | 268,340 |
| Fulton Employee Retirement | 415 | 0.11 | 66,177 |
| Restricted Assets | 441 | 0.09 | 49,370 |
| Grants | 461 | 0.34 | 191,239 |
| Risk Management | 725 | 0.04 | 26,278 |
| Grants - Health & Wellness | 818 | 5.81 | 3,155,317 |
| Comm Dev Block Grants | 865 | 0.04 | 21,571 |
| DFACS | DFACS | 5.93 | 3,156,711 |
| Total | | 100.00% | $55,255,317 |

** Each Fund's normal cost was calculated independently. The administrative expenses and the amortization of the unfunded liability were allocated based on the actuarial accrued liability of each Fund as a percentage of the System's total, and then added to normal cost to determine an ARC. Allocating the cost in this manner ensures that the funded percentage for each Fund equals the funded percentage for the System as a whole.*

### A. PARTICIPANT DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including active participants, vested terminated participants, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these participant groups. More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

The System was closed to new entrants in 1999. Therefore, the number of active participants is declining, and the ratio of non-actives to actives is increasing.

*A historical perspective of how the participant population has changed over the past eight valuations can be seen in this chart.*

**CHART 1**

**Participant Population: 2006 – 2013**

| Year Ended December 31 | Active Participants | Vested Terminated Participants | Retired Participants and Beneficiaries | Ratio of Non-Actives to Actives |
|---|---|---|---|---|
| 2006 | 1,920 | 27 | 2,382 | 1.25 |
| 2007 | 1,625 | 46 | 2,562 | 1.60 |
| 2008 | 1,441 | 44 | 2,670 | 1.88 |
| 2009 | 1,264 | 33 | 2,764 | 2.21 |
| 2010 | 1,103 | 36 | 2,886 | 2.65 |
| 2011 | 937 | 29 | 2,995 | 3.23 |
| 2012 | 811 | 23 | 3,071 | 3.82 |
| 2013 | 678 | 23 | 3,137* | 4.66 |

** Includes one suspended retiree*

**Active Participants**

Plan costs are affected by the age, years of service and payroll of active participants. In this year's valuation, there were 678 active participants with an average age of 52.2, average years of service of 21.2 years and average payroll of $53,478. The 811 active participants in the prior valuation had an average age of 51.7, average service of 20.7 years and average payroll of $52,555.

**Inactive Participants**

In this year's valuation, there were 23 participants with a vested right to a deferred or immediate vested benefit.

*These graphs show a distribution of active participants by age and by years of service.*

**CHART 2**

**Distribution of Active Participants by Age as of December 31, 2013**

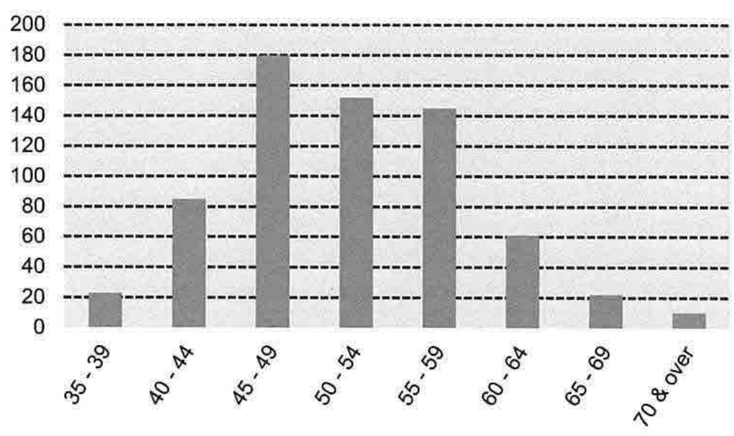
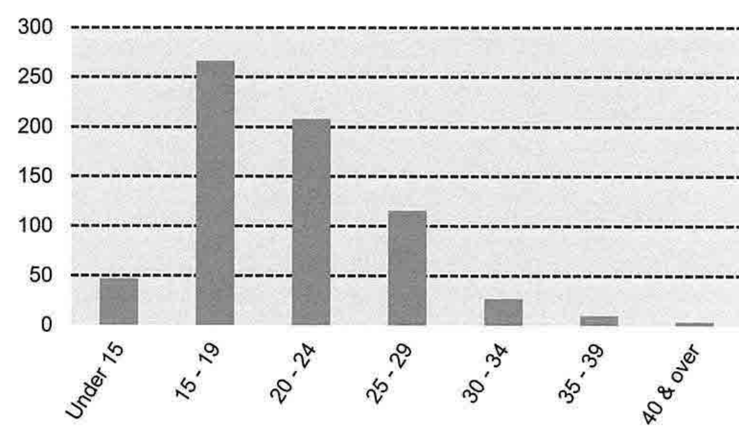



**CHART 3**

**Distribution of Active Participants by Years of Service as of December 31, 2013**

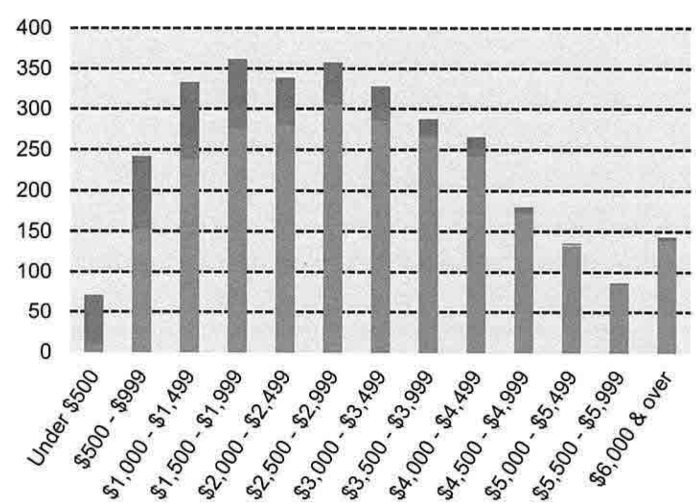


**Retired Participants and Beneficiaries**
As of December 31, 2013, 2,746 retired participants and 390 beneficiaries were receiving total monthly benefits of $9,400,280. For comparison, in the previous valuation, there were 2,682 retired participants and 389 beneficiaries receiving monthly benefits of $8,862,250. There was one retired participant in suspended status this year and none in the prior valuation.

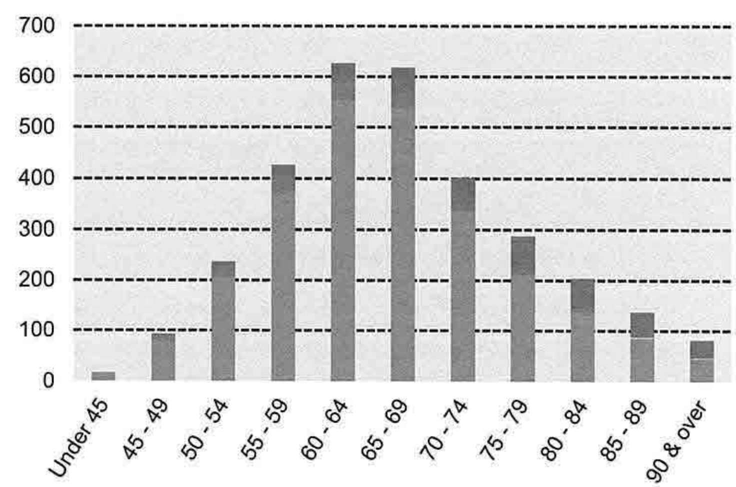
*These graphs show a distribution of the current retired participants and beneficiaries based on their monthly amount and age, by type of pension.*

- Beneficiary
- Disability
- Normal/Early

### CHART 4
**Distribution of Retired Participants and Beneficiaries by Type and by Monthly Amount as of December 31, 2013**




### CHART 5
**Distribution of Retired Participants and Beneficiaries by Type and by Age as of December 31, 2013**



## B. FINANCIAL INFORMATION

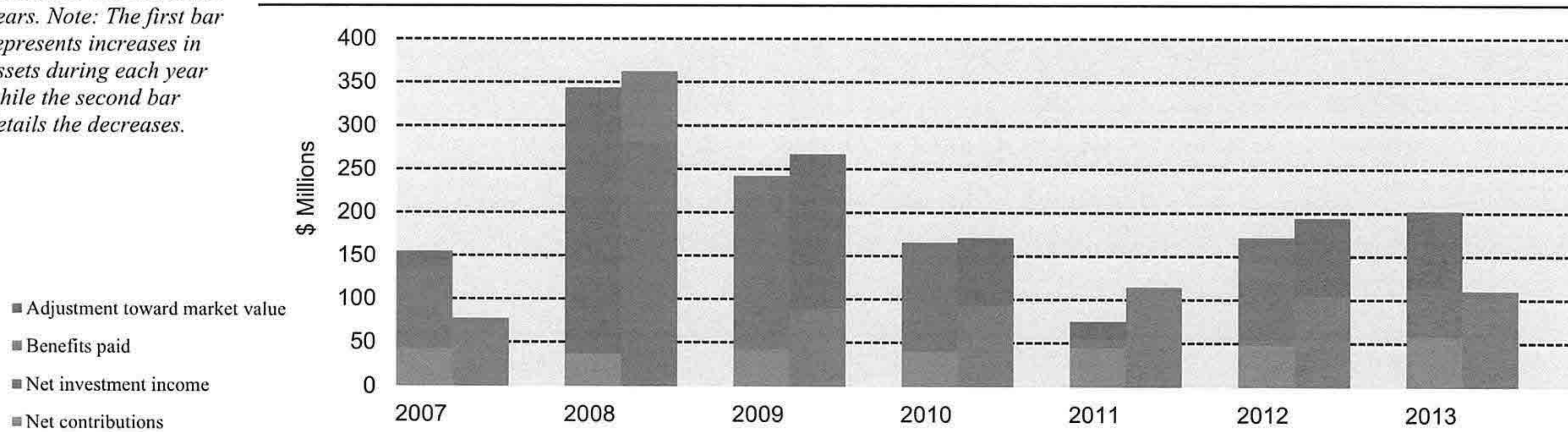
Retirement plan funding anticipates that, over the long term, both contributions (less administrative expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

*The chart depicts the components of changes in the actuarial value of assets over the last seven years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.*

### CHART 6

**Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended December 31, 2007 – 2013**



It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

*The chart shows the determination of the actuarial value of assets as of the valuation date.*

## CHART 7

### Determination of Actuarial Value of Assets for Year Ended December 31, 2013

| | Original Amount* | Unrecognized Return** | |
|---|---|---|---|
| 1. Market value of assets, December 31, 2013 | | | $1,299,975,000 |
| 2. Calculation of unrecognized return | | | |
| (a) Year ended December 31, 2013 | $152,013,144 | $121,610,515 | |
| (b) Year ended December 31, 2012 | 43,110,242 | 25,866,145 | |
| (c) Year ended December 31, 2011 | -75,879,280 | -30,351,712 | |
| (d) Year ended December 31, 2010 | 45,044,000 | 9,008,800 | |
| (e) Year ended December 31, 2009 | 130,690,000 | 0 | |
| (f) Total unrecognized return | | | 126,133,748 |
| 3. Preliminary actuarial value: (1) - (2f) | | | 1,173,841,252 |
| 4. Adjustment to be within 20% corridor | | | 0 |
| 5. Final actuarial value of assets as of December 31, 2013: (3) + (4) | | | $1,173,841,252 |
| 6. Actuarial value as a percentage of market value: (5) ÷ (1) | | | 90.3% |
| 7. Amount deferred for future recognition: (1) - (5) | | | $126,133,748 |

**Total return minus expected return on a market value*

***Recognition at 20% per year over five years*

****Deferred return as of December 31, 2013 recognized in each of the next four years:*

*(a) Amount recognized on December 31, 2014: $32,857,621*

*(b) Amount recognized on December 31, 2015: $23,848,821*

*(c) Amount recognized on December 31, 2016: $39,024,677*

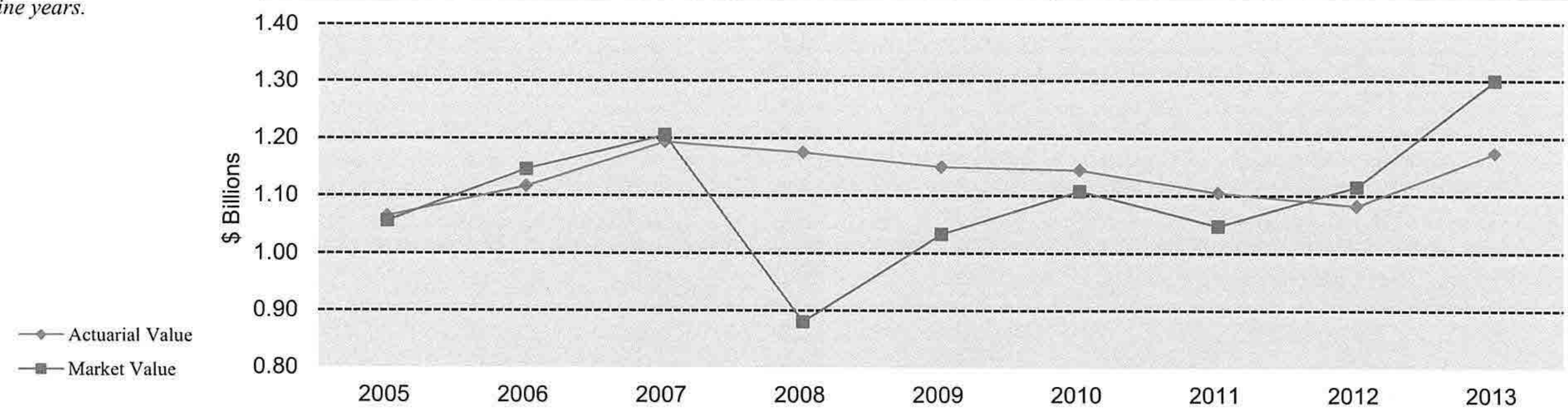
*(d) Amount recognized on December 31, 2017: $30,402,629*

Both the actuarial value and market value of assets are representations of the Retirement System's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Retirement System's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

*This chart shows the change in the actuarial value of assets versus the market value over the past nine years.*

**CHART 8**

**Actuarial Value of Assets vs. Market Value of Assets as of December 31, 2005 – 2013**



## C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total gain is $42,137,667, including $61,578,687 from investment gains partially offset by $19,441,020 in losses from all other sources. The net experience variation from individual sources other than investments was 1.2% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

*This chart provides a summary of the actuarial experience during the past year.*

### CHART 9
### Actuarial Experience for Year Ended December 31, 2013

| | |
|---|---|
| 1. Net gain from investments* | $61,578,687 |
| 2. Net loss from other experience | -19,441,020 |
| 3. Net experience gain: (1) + (2) | $42,137,667 |

** Details in Chart 10*

### Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Retirement System's investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 7.80%. The actual rate of return on an actuarial basis for the 2013 plan year was 13.63%.

Since the actual return for the year was greater than the assumed return, the Retirement System experienced an actuarial gain during the year ended December 31, 2013 with regard to its investments.

*This chart shows the gain due to investment experience.*

**CHART 10**

**Actuarial Value Investment Experience for Year Ended December 31, 2013**

| | |
|---|---|
| 1. Actual return | \$143,949,477 |
| 2. Average value of assets | 1,056,035,774 |
| 3. Actual rate of return: (1) ÷ (2) | 13.63% |
| 4. Assumed rate of return | 7.80% |
| 5. Expected return: (2) x (4) | \$82,370,790 |
| 6. Actuarial gain: (1) – (5) | \$61,578,687 |

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the last seven years, including a seven-year average.

The Pension Board Finance Committee decided in January 2014 to maintain the assumed rate of return of 7.80%. This rate is a reasonable assumption, based on the System's investment policy.

**CHART 11**

**Investment Return – Actuarial Value vs. Market Value: 2007 - 2013**

| | Actuarial Value Investment Return | | Market Value Investment Return | |
|---|---|---|---|---|
| **Year Ended December 31** | **Amount** | **Percent** | **Amount** | **Percent** |
| 2007 | $112,054,000 | 10.20% | $93,927,000 | 8.32% |
| 2008 | 25,070,000 | 2.14 | -281,583,000 | -23.79 |
| 2009 | 21,198,000 | 1.84 | 200,095,000 | 23.35 |
| 2010 | 46,207,000 | 4.11 | 125,667,000 | 12.47 |
| 2011 | 30,342,424 | 2.73 | 9,935,000 | 0.93 |
| 2012 | 33,418,150 | 3.10 | 123,662,000 | 12.13 |
| 2013 | 143,949,477 | 13.63 | 236,967,000 | 21.76 |
| Total | $412,239,051 | | $508,670,000 | |
| | Seven-year average return | 5.29% | | 6.91% |

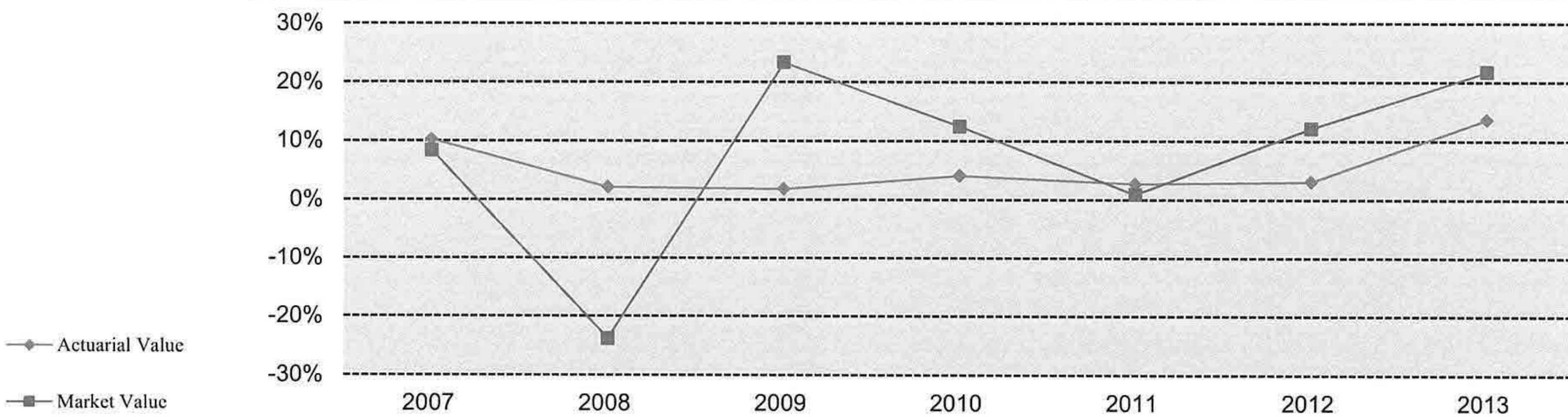
*Note: Each year's yield is weighted by the average asset value in that year.*

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

*This chart illustrates how this leveling effect has actually worked over the years 2007 - 2013.*

**CHART 12**

**Market and Actuarial Rates of Return for Years Ended December 31, 2007 - 2013**



### Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net loss from this other experience for the year ended December 31, 2013 amounted to $19,441,020, which is 1.2% of the actuarial accrued liability. There were modest losses on retirement, turnover, mortality and salary experience for the year.

### Actuarial Assumption Change

At their meeting in January 2014, the Pension Board Finance Committee and County staff discussed the economic assumptions for the System, including future expectations for salary increases. Last year, active salaries were projected to increase by 0% in 2013, 2% in 2014 and 4% thereafter. With this valuation, the assumption has been changed to 3% for 2014 and all future years.

## D. ANNUAL REQUIRED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability.

The payment on the unfunded actuarial accrued liability is based on amortization bases that are established each year and are amortized over closed periods. Prior to 2010, experience gains and losses were amortized over 15 years, and changes in plan provisions, actuarial assumptions or actuarial methods were amortized over 30 years. In the January 1, 2010 valuation, the bases for gains and losses were extended from 15-year to 30-year periods. The outstanding balances as of 2010 were not impacted, but the payment periods were extended by 15 years and new, lower annual payments were calculated. Effective January 1, 2013, the Board approved 25-year periods for gains and losses, shortening the existing periods by five years for these bases and increasing the payments and the annual required contribution. The Board has approved 20-year periods as of January 1, 2014, thus shortening the payment schedules by another five years and further increasing the payments and the required contribution. The full schedule of bases is provided in Section 3, Exhibit I.

*The chart compares this valuation's annual required contribution with the prior valuation.*

**CHART 13**

**Annual Required Contribution**

| | Year Beginning January 1 | |
|---|---|---|
| | 2014 | 2013 |
| | Amount | Amount |
| 1. Total normal cost | $3,980,594 | $5,223,591 |
| 2. Administrative expenses | 600,000 | 600,000 |
| 3. Expected employee contributions | -2,077,232 | -2,450,062 |
| 4. Employer normal cost: (1) + (2) + (3) | $2,503,362 | $3,373,529 |
| 5. Actuarial accrued liability | 1,608,975,544 | 1,577,864,746 |
| 6. Actuarial value of assets | 1,173,841,252 | 1,082,179,774 |
| 7. Unfunded actuarial accrued liability: (5) - (6) | $435,134,292 | $495,684,972 |
| 8. Payment on unfunded actuarial accrued liability | 48,753,889 | 45,681,895 |
| 9. Total annual required contribution: (4) + (8), adjusted to the end of the plan year | $55,255,317 | $52,881,747 |

*The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.*

The contribution requirements as of January 1, 2014 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

**Reconciliation of Annual Required Contribution**

The chart below details the changes in the annual required contribution from the prior valuation to the current year's valuation.

### CHART 14

### Reconciliation of Annual Required Contribution from January 1, 2013 to January 1, 2014

| | |
|---|---|
| **Annual Required Contribution as of January 1, 2013** | $52,881,747 |
| Effect of deceasing the amortization periods for experience gains and losses by five years | 7,054,839 |
| Effect of investment gain | -6,178,869 |
| Net effect of other gains and losses on accrued liability | 1,950,732 |
| Effect of change in salary scale assumption | -262,127 |
| Net effect of other changes | -191,005 |
| **Total change** | $2,373,570 |
| **Annual Required Contribution as of January 1, 2014** | $55,255,317 |

### E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to the GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded within the range of the GASB reporting requirements. Chart 15 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the Plan as calculated under the GASB Standards. High ratios indicate a well-funded plan with assets sufficient to cover the plan's actuarial accrued liabilities. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

Although the GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 16 shows the funded ratio calculated using both the actuarial value of assets and the market value of assets.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

*These graphs show key GASB factors.*

**CHART 15**

**Required Versus Actual Contributions**

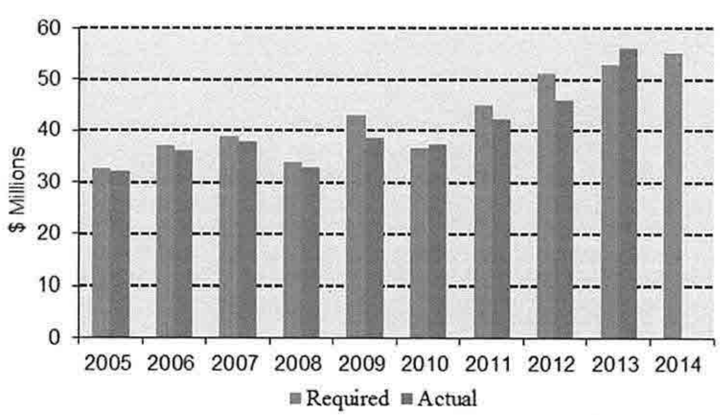
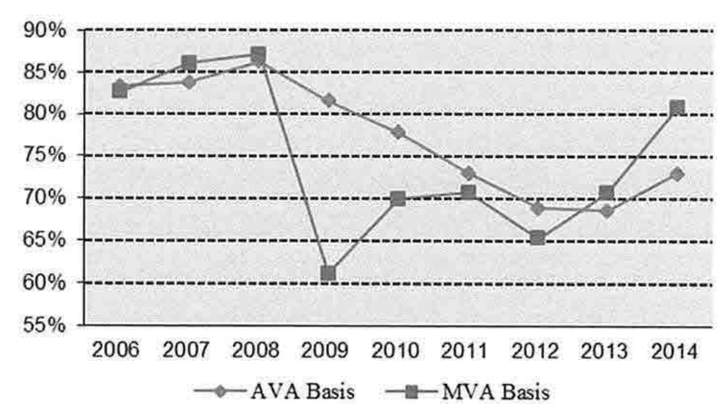



**CHART 16**

**Funded Ratio**




*Note: The County has used its accumulated net pension asset to cover a portion of the ARC in recent years.*

## EXHIBIT A
### Table of Plan Coverage

| Category | Year Ended December 31 2013 | 2012 | Change From Prior Year |
|---|---|---|---|
| **Active participants in valuation:** | | | |
| Number | 678 | 811 | -16.4% |
| Average age | 52.2 | 51.7 | N/A |
| Average years of service | 21.2 | 20.7 | N/A |
| Total payroll | $36,257,860 | $42,622,389 | -14.9% |
| Average payroll | 53,478 | 52,555 | 1.8% |
| Employee contribution balances | 47,976,640 | 54,641,664 | -12.2% |
| **Vested terminated participants** | 23 | 23 | 0.0% |
| **Retired participants:** | | | |
| Number in pay status | 2,583 | 2,513 | 2.8% |
| Average age | 66.4 | 66.3 | N/A |
| Average monthly benefit | $3,230 | $3,123 | 3.4% |
| Number in suspended status | 1 | -- | N/A |
| **Disabled participants:** | | | |
| Number in pay status | 163 | 169 | -3.6% |
| Average age | 62.8 | 61.9 | N/A |
| Average monthly benefit | $2,055 | $1,996 | 3.0% |
| **Beneficiaries in pay status:** | | | |
| Number in pay status | 390 | 389 | 0.3% |
| Average age | 75.6 | 75.4 | N/A |
| Average monthly benefit | $1,853 | $1,737 | 6.7% |

## EXHIBIT B

### Participants in Active Service as of December 31, 2013
### By Age, Years of Service, and Average Payroll

| | | Years of Service | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Age | Total | Under 15 | 15 - 19 | 20 - 24 | 25 - 29 | 30 - 34 | 35 - 39 | 40 & over |
| 35 - 39 | 23 | 9 | 14 | - - | - - | - - | - - | - - |
| | $50,371 | $45,646 | $53,409 | - - | - - | - - | - - | - - |
| 40 - 44 | 85 | 10 | 56 | 16 | 3 | - - | - - | - - |
| | 49,917 | 36,000 | 50,616 | $55,592 | $52,979 | - - | - - | - - |
| 45 - 49 | 180 | 10 | 66 | 76 | 28 | - - | - - | - - |
| | 51,593 | 42,910 | 46,225 | 56,293 | 54,588 | - - | - - | - - |
| 50 - 54 | 152 | 8 | 55 | 54 | 33 | 2 | - - | - - |
| | 54,112 | 47,124 | 46,861 | 54,992 | 65,675 | $66,913 | - - | - - |
| 55 - 59 | 145 | 8 | 45 | 41 | 37 | 10 | 4 | - - |
| | 56,459 | 40,238 | 51,981 | 57,742 | 63,528 | 62,296 | $46,143 | - - |
| 60 - 64 | 61 | 2 | 25 | 10 | 8 | 12 | 2 | 2 |
| | 53,989 | 35,747 | 47,984 | 53,955 | 51,841 | 61,554 | 109,941 | $54,725 |
| 65 - 69 | 22 | - - | 2 | 9 | 4 | 2 | 3 | 2 |
| | 60,551 | - - | 54,803 | 50,068 | 74,641 | 67,871 | 66,158 | 69,560 |
| 70 & over | 10 | - - | 3 | 2 | 3 | 1 | 1 | - - |
| | 53,278 | - - | 37,849 | 49,974 | 54,394 | 55,703 | 100,405 | - - |
| Total | 678 | 47 | 266 | 208 | 116 | 27 | 10 | 4 |
| | $53,478 | $41,921 | $48,768 | $55,744 | $61,049 | $62,477 | $70,333 | $62,142 |

## EXHIBIT C
### Reconciliation of Participant Data

| | Active Participants | Vested Former Participants | Disableds | Retired Participants | Beneficiaries | Total |
|---|---|---|---|---|---|---|
| Number as of January 1, 2013 | 811 | 23 | 169 | 2,513 | 389 | 3,905 |
| Transfers to 401(a) Plan | -1 | N/A | N/A | N/A | N/A | -1 |
| Terminations | -3 | 3 | N/A | N/A | N/A | 0 |
| Retirements | -127 | -2 | N/A | 129 | N/A | 0 |
| New disabilities | -1 | -1 | 2 | N/A | N/A | 0 |
| Deceased | -1 | 0 | -8 | -63 | -30 | -102 |
| New beneficiaries | N/A | N/A | N/A | N/A | 33 | 33 |
| Certain period expired | N/A | N/A | 0 | 0 | -2 | -2 |
| Data adjustments | 0 | 0 | 0 | 5 | 0 | 5 |
| Number as of January 1, 2014 | 678 | 23 | 163 | 2,584 | 390 | 3,838 |

## EXHIBIT D

### Summary Statement of Income and Expenses on an Actuarial Value Basis

| | Year Ended December 31, 2013 | | Year Ended December 31, 2012 | |
|---|---|---|---|---|
| **Net assets at actuarial value at the beginning of the year:** | | $1,082,179,774 | | $1,104,778,624 |
| **Contribution income:** | | | | |
| Employer contributions | $56,244,000 | | $45,936,000 | |
| Employee contributions | 2,533,000 | | 2,827,000 | |
| Less administrative expenses | -617,000 | | -578,000 | |
| Net contribution income | | $58,160,000 | | $48,185,000 |
| **Investment income:** | | | | |
| Investment income | $241,696,000 | | $128,245,000 | |
| Adjustment toward market value | -53,017,522 | | -90,243,850 | |
| Less investment fees | -4,729,000 | | -4,583,000 | |
| Net investment income | | 143,949,478 | | 33,418,150 |
| **Total income available for benefits** | | $202,109,478 | | $81,603,150 |
| **Less benefit payments:** | | | | |
| Benefit payments | -$110,128,000 | | -$103,780,000 | |
| Refunds of contributions | -113,000 | | -47,000 | |
| Transfers to DC Plan | -207,000 | | -375,000 | |
| Net benefit payments | | -$110,448,000 | | -$104,202,000 |
| **Change in reserve for future benefits** | | $91,661,478 | | -$22,598,850 |
| **Net assets at actuarial value at the end of the year:** | | $1,173,841,252 | | $1,082,179,774 |

## EXHIBIT E

### Summary Statement of Income and Expenses on a Market Value Basis

| | Year Ended December 31, 2013 | | Year Ended December 31, 2012 | |
|---|---|---|---|---|
| **Net assets at market value at the beginning of the year:** | | $1,115,296,000 | | $1,047,651,000 |
| **Contribution income:** | | | | |
| Employer contributions | $56,244,000 | | $45,936,000 | |
| Employee contributions | 2,533,000 | | 2,827,000 | |
| Less administrative expenses | -617,000 | | -578,000 | |
| Net contribution income | | $58,160,000 | | $48,185,000 |
| **Investment income:** | | | | |
| Investment income | $241,696,000 | | $128,245,000 | |
| Less investment fees | -4,729,000 | | -4,583,000 | |
| Net investment income | | 236,967,000 | | 123,662,000 |
| **Total income available for benefits** | | $295,127,000 | | $171,847,000 |
| **Less benefit payments:** | | | | |
| Benefit payments | -$110,128,000 | | -$103,780,000 | |
| Refunds of contributions | -113,000 | | -47,000 | |
| Transfers to DC Plan | -207,000 | | -375,000 | |
| Net benefit payments | | -$110,448,000 | | -$104,202,000 |
| **Change in reserve for future benefits** | | $184,679,000 | | $67,645,000 |
| **Net assets at market value at the end of the year:** | | $1,299,975,000 | | $1,115,296,000 |

## EXHIBIT F

### Summary Statement of Plan Assets

| | Year Ended December 31, 2013 | | Year Ended December 31, 2012 | |
|---|---|---|---|---|
| **Cash and cash equivalents** | | $28,031,000 | | $37,112,000 |
| **Accounts receivable and funds held in escrow** | | 3,811,000 | | 5,827,000 |
| **Prepaid pension benefits** | | 9,630,000 | | 9,087,000 |
| **Investments:** | | | | |
| Corporate investments | $746,385,000 | | $588,449,000 | |
| U.S. Treasury and Agency obligations | 193,326,000 | | 199,902,000 | |
| International mutual funds | 198,917,000 | | 177,457,000 | |
| Commingled equity funds | 131,556,000 | | 99,492,000 | |
| Real estate investment contracts | 5,690,000 | | 6,585,000 | |
| Municipal bonds | 5,429,000 | | 2,358,000 | |
| Total investments at market value | | 1,281,303,000 | | 1,074,243,000 |
| **Total assets** | | $1,322,775,000 | | $1,126,269,000 |
| **Less accounts payable:** | | | | |
| Due to brokers for securities purchased | -$22,787,000 | | -$10,913,000 | |
| Funds held for others | -13,000 | | -13,000 | |
| Other liabilities | 0 | | -47,000 | |
| Total accounts payable | | -$22,800,000 | | -$10,973,000 |
| **Net assets at market value** | | $1,299,975,000 | | $1,115,296,000 |
| **Net assets at actuarial value** | | $1,173,841,252 | | $1,082,179,774 |

## EXHIBIT G

### Development of the Fund Through December 31, 2013

| Year Ended December 31 | Employer Contributions | Employee Contributions | Net Investment Return* | Administrative Expenses | Benefit Payments | Actuarial Value of Assets at End of Year |
|---|---|---|---|---|---|---|
| 2007 | $37,802,000 | $5,479,000 | $112,054,000 | $528,000 | $77,534,000 | $1,193,724,000 |
| 2008 | 32,750,000 | 4,900,000 | 25,070,000 | 501,000 | 80,644,000 | 1,175,299,000 |
| 2009 | 38,502,000 | 4,187,000 | 21,198,000 | 479,000 | 88,921,000 | 1,149,786,000 |
| 2010 | 37,226,000 | 3,602,000 | 46,207,000 | 546,000 | 91,904,000 | 1,144,371,000 |
| 2011 | 42,170,000 | 3,225,000 | 30,332,424 | 554,000 | 114,776,000 | 1,104,778,624 |
| 2012 | 45,936,000 | 2,827,000 | 33,418,150 | 578,000 | 104,202,000 | 1,082,179,774 |
| 2013 | 56,244,000 | 2,533,000 | 143,949,478 | 617,000 | 110,448,000 | 1,173,841,252 |

* *Net of investment fees*

## EXHIBIT H

### Development of Unfunded Actuarial Accrued Liability for Year Ended December 31, 2013

| | | |
|---|---|---|
| 1. Unfunded actuarial accrued liability at beginning of year | | $495,684,972 |
| 2. Normal cost at beginning of year | | 5,823,591 |
| 3. Total contributions | | -58,777,000 |
| 4. Interest | | |
| (a) For whole year on (1) + (2) | $39,117,668 | |
| (b) For half year on (3) | -2,072,786 | |
| (c) Total interest | | 37,044,882 |
| 5. Expected unfunded actuarial accrued liability | | $479,776,445 |
| 6. Changes due to: | | |
| (a) Experience gains and losses | -$42,137,667 | |
| (b) Change in salary scale assumption | -2,504,486 | |
| (c) Total changes | | -44,642,153 |
| 7. Unfunded actuarial accrued liability at end of year | | $435,134,292 |

## EXHIBIT I

### Table of Amortization Bases/Development of Credit Balance

| Type | Date Established | Initial Years* | Initial Amount | Annual Payment* | Years Remaining | Outstanding Balance |
|---|---|---|---|---|---|---|
| Unfunded Liability | 01/01/2002 | 30 | $29,880,000 | $2,433,269 | 18.00 | $24,927,875 |
| Experience Loss | 01/01/2003 | 20 | 69,965,000 | 6,328,909 | 9.00 | 42,976,537 |
| Change in Assumptions | 01/01/2003 | 30 | 15,253,000 | 1,240,733 | 19.00 | 13,031,842 |
| Change in Asset Method | 01/01/2003 | 30 | -32,639,000 | -2,655,533 | 19.00 | -27,891,969 |
| Experience Loss | 01/01/2004 | 20 | 52,121,000 | 4,807,336 | 10.00 | 35,089,601 |
| Experience Loss | 01/01/2005 | 20 | 38,649,000 | 3,622,895 | 11.00 | 28,153,648 |
| Change in Assumptions | 01/01/2005 | 30 | 32,631,000 | 2,649,903 | 21.00 | 29,058,873 |
| Experience Loss | 01/01/2006 | 20 | 26,847,000 | 2,551,072 | 12.00 | 20,941,118 |
| Experience Loss | 01/01/2007 | 20 | 8,691,000 | 835,139 | 13.00 | 7,194,552 |
| Plan Change | 01/01/2007 | 30 | 2,669,000 | 216,381 | 23.00 | 2,458,990 |
| Experience Gain | 01/01/2008 | 20 | -14,742,000 | -1,430,688 | 14.00 | -12,863,979 |
| Experience Loss | 01/01/2009 | 20 | 98,485,000 | 9,639,260 | 15.00 | 90,039,140 |
| Change in Assumptions | 01/01/2009 | 30 | -12,317,000 | -997,259 | 25.00 | -11,674,665 |
| Experience Loss | 01/01/2010 | 20 | 63,626,000 | 6,275,108 | 16.00 | 60,648,961 |
| Change in Assumptions | 01/01/2010 | 30 | 10,552,000 | 853,870 | 26.00 | 10,126,647 |
| Experience Loss | 01/01/2011 | 20 | 51,814,000 | 5,016,822 | 17.00 | 49,996,062 |
| Change in Assumptions | 01/01/2011 | 30 | -4,094,000 | -331,145 | 27.00 | -3,974,258 |
| Plan Change | 01/01/2011 | 30 | 53,491,000 | 4,326,916 | 27.00 | 51,929,815 |
| Experience Loss | 01/01/2012 | 20 | 58,200,000 | 5,543,267 | 18.00 | 56,788,579 |
| Change in Assumptions | 01/01/2012 | 30 | 23,331,000 | 1,886,635 | 28.00 | 22,890,902 |
| Experience Loss | 01/01/2013 | 20 | 10,620,642 | 996,927 | 19.00 | 10,471,066 |
| Change in Assumptions | 01/01/2013 | 30 | -11,517,999 | -931,234 | 29.00 | -11,412,533 |
| Experience Gain | 01/01/2014 | 20 | -42,137,667 | -3,922,205 | 20.00 | -42,137,667 |
| Change in Assumptions | 01/01/2014 | 30 | -2,504,486 | -202,489 | 30.00 | -2,504,486 |
| Total | | | | $48,753,889 | | $444,264,651 |

* *The initial period for experience gains and losses was increased from 15 to 30 years as of January 1, 2010, and was subsequently reduced to 25 years as of January 1, 2013, and to 20 years as of January 1, 2014.*

**EXHIBIT I**

**Table of Amortization Bases/Development of Credit Balance (continued)**

| | | |
|---|---|---|
| 1. | Unfunded actuarial accrued liability as of January 1, 2014 | $435,134,292 |
| 2. | Sum of outstanding bases as of January 1, 2014 | 444,264,651 |
| 3. | Credit balance as of January 1, 2014 [(2)-(1)] | $9,130,359 |

## EXHIBIT J
### Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

**Assumptions or Actuarial Assumptions:** The estimates on which the cost of the Plan is calculated including:

(a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;

(b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates — the rate or probability of retirement at a given age;

(d) Withdrawal rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

**Normal Cost:** The amount of contributions required to fund the benefit allocated to the current year of service.

**Actuarial Accrued Liability For Actives:** The value of all projected benefit payments for current members less the portion that will be paid by future normal costs.

**Actuarial Accrued Liability For Pensioners:** The single-sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

**Unfunded Actuarial Accrued Liability:** The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

**Amortization of the Unfunded Actuarial Accrued Liability:** Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

**Investment Return:** The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

## EXHIBIT K

### Benefit Payment Projection

We have determined the anticipated benefits to be paid from the Plan over the next ten years. This projection is provided to help the Pension Board assess the future liquidity needs of the Fund, and to help determine whether the Plan should plan to sell assets to pay participants' benefits or to restructure the debt and equity allocations.

This is a mature and closed fund, and thus it is expected that the contributions paid into the Plan each year will not be sufficient to pay all of the annual benefit requirements and expenses. Investment income is required to make up the difference. The Board needs to ensure that interest and dividend income, along with maturing fixed income investments and the sale of equity investments, are at a sufficient level to provide existing and emerging benefit payments to participants and beneficiaries. This matter should be considered by the investment managers in designing their strategies.

The projection is shown below. The assumptions for retirement and mortality are the same rates shown in Section 4 of the report.

### Projected Benefit Payments, 2014-2023

| Year Ended December 31 | Number of Benefit Recipients | Benefits to Active Participants | Benefits to Non-Active Participants | Total Benefits Projected |
|---|---|---|---|---|
| 2014 | 3,183 | $8,851,430 | $112,083,800 | $120,935,230 |
| 2015 | 3,203 | 12,330,514 | 113,599,332 | 125,929,846 |
| 2016 | 3,213 | 15,570,519 | 114,998,306 | 130,568,825 |
| 2017 | 3,212 | 18,543,621 | 116,239,862 | 134,783,483 |
| 2018 | 3,200 | 21,143,761 | 117,456,167 | 138,599,928 |
| 2019 | 3,178 | 23,467,155 | 118,389,367 | 141,856,522 |
| 2020 | 3,144 | 25,490,006 | 119,118,381 | 144,608,387 |
| 2021 | 3,100 | 27,195,938 | 119,650,610 | 146,846,548 |
| 2022 | 3,045 | 28,588,446 | 119,968,731 | 148,557,177 |
| 2023 | 2,986 | 29,796,800 | 120,068,619 | 149,865,419 |

## EXHIBIT I

### Summary of Actuarial Valuation Results

| The valuation was made with respect to the following data supplied to us: | | |
|---|---|---|
| 1. Retired participants as of the valuation date (including 390 beneficiaries in pay status and one retired participant in suspended status) | | 3,137 |
| 2. Participants inactive during year ended December 31, 2013 with vested rights | | 23 |
| 3. Participants active during the year ended December 31, 2013 | | 678 |
| Fully vested | 677 | |
| Not vested | 1 | |

| The actuarial factors as of the valuation date are as follows: | | |
|---|---|---|
| 1. Normal cost, including administrative expenses | | $4,580,594 |
| 2. Actuarial accrued liability | | 1,608,975,544 |
| Retired participants and beneficiaries | $1,368,111,348 | |
| Inactive participants with vested rights | 2,434,088 | |
| Active participants | 238,430,108 | |
| 3. Actuarial value of assets ($1,299,975,000 at market value as reported by the County) | | 1,173,841,252 |
| 4. Unfunded actuarial accrued liability | | $435,134,292 |

| The determination of the recommended contribution is as follows: | |
|---|---|
| 1. Total normal cost | $3,980,594 |
| 2. Administrative expenses | 600,000 |
| 3. Expected employee contributions | -2,077,232 |
| 4. Employer normal cost: (1) + (2) + (3) | $2,503,362 |
| 5. Payment on unfunded actuarial accrued liability | 48,753,889 |
| 6. Total recommended contribution: (4) + (5), adjusted for timing | $55,255,317 |
| 7. Projected payroll | $36,257,860 |

## EXHIBIT II

### History of Employer Contributions

| Plan Year Ended December 31 | Annual Required Contributions | Actual Contributions | Percentage Contributed |
|---|---|---|---|
| 2005 | $32,726,000 | $32,233,000 | 98.5% |
| 2006 | 37,081,000 | 36,011,000 | 97.1% |
| 2007 | 38,895,000 | 37,802,000 | 97.2% |
| 2008 | 33,836,000 | 32,750,000 | 96.8% |
| 2009 | 43,008,000 | 38,502,000 | 89.5% |
| 2010 | 36,639,000 | 37,226,000 | 101.6% |
| 2011 | 45,049,000 | 42,170,000 | 93.6% |
| 2012 | 51,199,000 | 45,936,000 | 89.7% |
| 2013 | 52,881,747 | 56,244,000 | 106.4% |
| 2014 | 55,255,317 | -- | -- |

## EXHIBIT III

### Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a) / (b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c) |
|---|---|---|---|---|---|---|
| 01/01/2005 | $1,038,201,000 | $1,232,491,000 | $194,290,000 | 84.24% | $115,284,000 | 168.53% |
| 01/01/2006 | 1,064,825,000 | 1,277,972,000 | 213,147,000 | 83.32% | 104,909,000 | 203.17% |
| 01/01/2007 | 1,116,451,000 | 1,331,658,000 | 215,207,000 | 83.84% | 98,882,000 | 217.64% |
| 01/01/2008 | 1,193,724,000 | 1,383,842,000 | 190,118,000 | 86.26% | 80,266,000 | 236.86% |
| 01/01/2009 | 1,175,299,000 | 1,441,124,000 | 265,824,000 | 81.55% | 78,184,000 | 340.00% |
| 01/01/2010 | 1,149,786,000 | 1,478,136,000 | 328,350,000 | 77.79% | 67,184,000 | 488.73% |
| 01/01/2011 | 1,144,371,000 | 1,567,306,000 | 422,934,000 | 73.02% | 57,888,000 | 730.61% |
| 01/01/2012 | 1,104,779,000 | 1,604,463,000 | 499,684,000 | 68.86% | 49,277,000 | 1,014.03% |
| 01/01/2013 | 1,082,179,774 | 1,577,864,746 | 495,684,972 | 68.59% | 42,622,389 | 1,162.97% |
| 01/01/2014 | 1,173,841,252 | 1,608,975,544 | 435,134,292 | 72.96% | 36,257,860 | 1,200.11% |

## EXHIBIT IV

### Supplementary Information Required by the GASB

| | |
|---|---|
| **Valuation date** | January 1, 2014 |
| **Actuarial cost method** | Entry Age Normal |
| **Amortization method** | Level dollar, closed |
| **Remaining amortization period** | Remaining amortization period varies for the bases, with a net effective amortization period of 13 years |
| **Asset valuation method** | Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value. |
| **Actuarial assumptions**: | |
| Investment rate of return | 7.80% |
| Projected salary increases | 3.00% |
| Cost of living adjustments | 3.00% |
| **Plan membership:** | |
| Retired participants and beneficiaries receiving benefits | 3,137 |
| Terminated participants entitled to, but not yet receiving benefits | 23 |
| Active participants | 678 |
| Total | 3,837 |

**EXHIBIT V**

**Development of the Net Pension Obligation (NPO) and the Annual Pension Cost Pursuant to GASB 27**

| Plan Year Ended December 31 | Employer Annual Required Contribution (a) | Employer Amount Contributed, with Interest* (b) | Interest on NPO (g) x 7.80%* (c) | ARC Adjustment** (d) | Pension Cost (a) + (c) – (d) (e) | Change in NPO (e) – (b) (f) | NPO Balance NPO + (f) (g) |
|---|---|---|---|---|---|---|---|
| 2006 | | | | | | | -$49,933,000 |
| 2007 | $38,895,000 | $39,352,000 | -$4,095,000 | -$4,808,000 | $39,608,000 | $256,000 | -49,677,000 |
| 2008 | 33,836,000 | 34,093,000 | -4,074,000 | -4,676,000 | 34,438,000 | 346,000 | -49,331,000 |
| 2009 | 43,008,000 | 40,061,000 | -3,996,000 | -4,525,000 | 43,537,000 | 3,476,000 | -45,855,000 |
| 2010 | 36,639,000 | 38,715,000 | -3,668,000 | -3,328,000 | 36,299,000 | -2,416,000 | -48,271,000 |
| 2011 | 45,049,000 | 43,857,000 | -3,862,000 | -3,320,000 | 44,507,000 | 650,000 | -47,621,000 |
| 2012 | 51,199,000 | 47,750,472 | -3,762,059 | -3,883,415 | 51,320,356 | 3,569,884 | -44,051,116 |
| 2013 | 52,881,747 | 58,437,516 | -3,480,038 | -3,762,866 | 53,164,575 | -5,272,941 | -49,324,057 |

** The interest rate used to calculate the ARC adjustment and NPO interest was 8.20% for 2008, 8.10% for 2009, 8.00% for 2010-2011, 7.90% for 2012, and 7.80% for 2013 - 2014.*

***Prior to 2010, the amortization period was 15 years. In 2010, the period was extended to 30 years. As of January 1, 2013, the Board approved shortening the period to 25 years. As of January 1, 2014, the Board approved shortening the period to 20 years.*

*Note: The results for the years ended December 31, 2011 and earlier were prepared by Buck Consultants.*

**EXHIBIT VI**

**Actuarial Assumptions and Actuarial Cost Method**

**Mortality Rates:**

*Healthy:* RP-2000 Combined Mortality Table with Blue Collar adjustment, projected to 2019 using Scale AA, further loaded by 30% for Males and 10% for Females

*Disabled:* RP-2000 Disabled Retiree Mortality Table, projected to 2019 using Scale AA

The RP-2000 mortality tables, projected to the 2014 valuation date reasonably reflect the projected mortality experience of the Plan as of the measurement date. The additional projection of five years is a provision made for future mortality improvement.

**Termination Rates before Retirement:**

| | Rate (%) | | | | | |
|---|---|---|---|---|---|---|
| | Mortality | | Disability | | Withdrawal* | |
| Age | Male | Female | Non-Public Safety | Public Safety | Non-Public Safety | Public Safety |
| 35 | 0.13 | 0.05 | 0.08 | 0.20 | 4.00 | 5.50 |
| 40 | 0.15 | 0.07 | 0.18 | 0.30 | 4.00 | 6.75 |
| 45 | 0.18 | 0.11 | 0.29 | 0.41 | 6.00 | 8.55 |
| 50 | 0.22 | 0.16 | 0.69 | 0.81 | 8.25 | 12.55 |
| 55 | 0.38 | 0.26 | 1.00 | 1.12 | 9.75 | 16.55 |
| 60 | 0.79 | 0.49 | 0.93 | 1.05 | 11.00 | 20.55 |

** Withdrawal rates cut off at 50, or first eligibility for retirement if later*

**Retirement Rates:**

### Rates for Unreduced Pension

| Non-Public Safety Age | Non-Public Safety Retirement Probability (%) | Public Safety Age | Public Safety Retirement Probability (%) |
|---|---|---|---|
| First eligibility | 26.50 | First eligibility | 60.00 |
| Ages through 69 | 26.50 | Ages through 64 | 40.00 |
| 70 | 100.00 | 65 | 100.00 |

### Rates for Reduced Pension*

| Non-Public Safety Age | Non-Public Safety Retirement Probability (%) | Public Safety Age | Public Safety Retirement Probability (%) |
|---|---|---|---|
| 50 | 8.25 | 50 | 12.55 |
| 51 | 8.60 | 51 | 13.35 |
| 52 | 9.00 | 52 | 14.15 |
| 53 | 9.25 | 53 | 14.95 |
| 54 | 9.50 | 54 | 15.75 |
| 55 | 9.75 | 55 | 16.55 |
| 56 | 10.00 | 56 | 17.35 |
| 57 | 10.25 | 57 | 18.15 |
| 58 | 10.50 | 58 | 18.95 |
| 59 | 10.75 | 59 | 19.75 |
| 60 | 11.00 | 60 | 20.55 |
| 61 | 11.25 | 61 | 21.35 |
| 62 | 11.50 | 62 | 22.15 |
| 63 | 11.75 | 63 | 22.95 |
| 64 | 12.00 | 64 | 23.75 |

* *The retirement rates for reduced pensions apply only until eligibility for normal retirement occurs. From that point forward, the rates for unreduced pensions apply.*

| | |
|---|---|
| **Retirement Age for Inactive Vested Participants:** | Earliest unreduced retirement age |
| **Unknown Data for Participants:** | Same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male. |
| **Percent Married:** | 75% of males and 50% of females |
| **Age of Spouse:** | Females four years younger than males |
| **Benefit Election:** | 80% of participants who retire with reduced benefits take an annuity, and 95% of participants who retire with unreduced benefits take an annuity. The remainder are assumed to transfer to the County's defined contribution plan. |
| **Net Investment Return:** | 7.80% |
| **Salary Increases:** | 3.00% per year |
| **Final Average Earnings Loads:** | The following loads were applied in the computation of final average earnings used to compute benefits:<br>➤ A 3.6% load to adjust for a 27$^{th}$ pay period in some years<br>➤ A 5.5% load to adjust for unused vacation time<br>➤ A 1.0% load to adjust for unused sick leave |
| **Interest on Employee Contributions:** | 4.0% |
| **Administrative Expenses:** | Prior year actual amount rounded to the nearest $100,000 ($600,000 for 2014) |
| **Actuarial Value of Assets:** | Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value. |
| **Actuarial Cost Method:** | Entry Age Normal Actuarial Cost Method. Entry Age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary. |

| | |
|---|---|
| **Changes in Assumptions:** | The following change in assumptions is reflected in this valuation:<br>➤ The salary scale was changed from 2% in 2014 and 4% thereafter to 3% for all years |

## EXHIBIT VII

### Summary of Plan Provisions

This exhibit summarizes the major provisions of the Retirement System included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

| | |
|---|---|
| **Plan Year** | January 1 through December 31 |
| **Plan Status** | Closed to new entrants as of July 1, 1999 |

**Normal Retirement**

| | |
|---|---|
| *Age and Service Requirement* | Earlier of age 65 with 10 years of Service, age 60 with 15 years of Service, age 55 with 30 years of Service, or 10 years of service and the sum of age and service equals 79 or more<br>For elected officials or department heads, if termination is the result of resignation, failure to be reelected, or abolishment of office, age 55 with 10 years of service |
| *Amount* | *1991 Plan* - 2.00% of Final Average Compensation times years of Creditable Service.<br>*Enhanced Plan* - 2.25% of Final Average Compensation times years of Creditable Service for the first five years, plus 2.50% of Final Average Compensation per year of Credited Service in excess of five years.<br>The maximum benefit is 75% of Final Average Compensation. The minimum benefit is $460 per month. |
| *Final Average Compensation* | The average of the Participant's earnings during the three years of employment that produce the highest average. For elected officials and department heads, Final Average Compensation is not less than the average earnings during the 12 months prior to termination. |

| | |
|---|---|
| **Early Retirement**: | |
| *Age Requirement* | None |
| *Service Requirement* | 15 years of Credited Service |
| *Amount* | Normal pension accrued, reduced 0.5% for the first 60 months and 0.25% for the remaining months preceding employee's normal retirement date.<br>The benefit of a Peace Officer with 25 years will be reduced by 0.25% for each month that commencement precedes age 55.<br>The minimum benefit is $300 per month. |
| **Disability:** | |
| *Age Requirement* | None |
| *Requirement* | 10 years of Credited Service or disabled in the line of duty |
| *Amount* | Normal pension accrued.<br>For Peace Officers, the benefit assumes 35 years of service. |
| **Vesting:** | |
| *Age Requirement* | None |
| *Service Requirement* | 10 years of Credited Service |
| *Amount* | Normal pension accrued |
| **Death Benefit:** | |
| *Amount* | A percentage of the amount the Participant either a) was receiving at death, b) would have received had he retired with a normal retirement benefit at death, or c) would have received as a vested pension benefit had he survived to age 65.<br>75% for the Enhanced Plan, 1991 Plan, and 1982 Plan<br>50% for other Plans<br>A beneficiary of a Peace Officer who dies in the line of duty receives the amount of compensation that the deceased would have received from the employer for one year from the date of death. After the first year, 75% of the greater of the participant's salary at death or the salary paid to a six-year police officer. |

| | |
|---|---|
| **Participant Contributions:** | Enhanced Plan - 6% of pay<br>1991 and 1982 Plans – 5% of pay<br>Other Plans – 0% to 4% of pay |
| **Interest on Contributions** | Employee contributions are credited with an annual interest rate of 4%. |
| **Cost of Living Adjustments** | 3% per year for the Enhanced, 1991 and 1992 Plans if CPI is greater than zero |
| **Changes in Plan Provisions:** | There have been no changes in plan provisions since the last valuation. |

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Attachment C

Fulton County Employees' Retirement System

Distribution of Employment by Category

NAME OF FIRM:

| CATEGORY | AMERIC. INDIAN | | BLACK AMERICAN | | ASIAN AMERICAN | | SPANISH SURNAME AMERICAN | | WHITE AMERICAN | | OTHER (SPECIFY) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MALE/ FEMALE | M | F | M | F | M | F | M | F | M | F | M | F |
| MANAGEMENT & OFFICIALS | | | | | | | | | | | | |
| PROFESSIONALS (ARCT. ENGR, ETC.) | | | | | | | | | | | | |
| SUPERVISORS | | | | | | | | | | | | |
| OFFICE/ CLERICAL/ SALES | | | | | | | | | | | | |
| CRAFTSMEN | | | | | | | | | | | | |
| LABORERS | | | | | | | | | | | | |
| OTHERS (SPECIFY) | | | | | | | | | | | | |
| TOTALS: | | | | | | | | | | | | |

Attachment D

# Fulton County Employees' Retirement System
# Ethics Policy

# FULTON COUNTY
# EMPLOYEES RETIREMENT SYSTEM
# BOARD

# ETHICS POLICY

**APPROVED**
**FEBRUARY 11, 1998**

The statement of fiduciary responsibilities imposes upon trustees the obligations of acting solely in the interests of the participants and beneficiaries, of acting honestly and with undivided loyalty to the trust and of avoiding all situations and relations tending in the least to conflict with disinterested discharge of their duties.

**Section 1. Definitions**

As used herein:

(a) **<u>" Immediate Family "</u>** means the spouse of a Board Member and their parents, children, brothers and sisters.

(b) **<u>" Interest "</u>** means any direct or indirect pecuniary or material benefit held by or accruing to a Board Member as a result of a contract or transaction which is or may be the subject of an official act r action by or with the Pension Board. Unless otherwise provided, the term "interest" does not include any remote interest. For the purpose of this Policy, a Board Member shall be deemed to have an interest in transactions involving:

(1) Any person in his or her immediate family;

(2) Any person with whom a contractual relationship ( either written or implied ) exists, whereby he or she may receive any payment or other benefit, including an agreement for employment; and

(3) Any business in which he or she is a director, officer, employee, prospective employee, or substantial shareholder.

**Section 2. Impartiality**

No Board Member shall by his or her conduct give reasonable basis for the impression that any person improperly can influence him or her or unduly enjoy his or her favor in the performance of official acts or actions, or that he or she is affected unduly by the kinship, rank, position of or association with any person.

**Section 3. Campaign Contributions**

The provisions of this Policy do not permit elected officials serving on the Pension Board to solicit or knowingly receive political contributions from vendors providing services directly to the Board or from a vendor seeking to do business with the Board.

**Section 4. The Responsibilities of Board Members Regarding Conflicts of Interest**

A conflict of interest may be defined as a situation in which a Board member is involved or has an interest, either directly or indirectly, in a matter coming before the Board. The members of the Pension Board have a duty of trust to the general public, participants and retirees and are not permitted to advance their personal interest in conflict with the exercise of this duty. No promise of forbearance, or waiver, by the affected Board member is sufficient to avoid a conflict. The conflict of interest arises from a circumstance or situation and not as an activity The elements of the circumstance are the opportunity for enhancement of the member and control of the transaction.

Under this policy there are positive obligations imposed on each Board member. These are:

(a) Each Board member will examine each matter coming before the Board to evaluate the potential of a conflict of interest or the appearance of a conflict of interest.

(b) Those members of the Board who have, or believe they have, a personal or financial interest in a matter coming before the Board will declare the nature of the conflict. This Includes any Board member having received or solicited a gift in excess of that permitted in Section 6, Item (a) or a political contribution in any amount from an existing vendor providing service directly to the Board or a vendor seeking to do business with the Board.

(c) Those members shall abstain from participating in the matter before the Board, including making and seconding motions, participating in discussions, and voting and will be recorded as abstaining when votes are taken.

(d) Each member will bring to the Board's attention any undeclared conflict of interest involving another Board member of which they may have knowledge.

**Section 5. Board Activities Subject to Conflicts of Interest**

It is not possible to enumerate all potential circumstances that would give rise to conflicts of interest. However, the range of activities undertaken by the Board is sufficiently narrow that a number of categories of potential conflict can be listed to guide the Board members. The activities and responsibilities of the Board in which questions of conflict of interest can arise include:

(a) Awarding of pensions
(b) Granting of refunds
(c) Litigation, including whether to pursue litigation or the agreement of settlement terms.
(d) Selection of vendors of services to the Board, including:
 - Actuaries
 - Attorneys
 - Auditors
 - Brokerage firms
 - Consultants
 - Custodial banks
 - Insurance brokers
 - Money managers
 - Trainers

Each of these actions involve the granting of or allocation of money and /or other benefits. Further, these actions involve the exercise of the judgment of Board members and is under their control as trustees of the plan assets.

**Section 6. Contributions, Gifts and Other Emoluments**

The trustees of the Board, being mindful of the need to assure the proper discharge of their fiduciary responsibilities and to maintain the confidence of the participants, retirees, beneficiaries and the general public in the integrity of the decision-making process, will adhere to the following principles regarding contributions, gifts and other emoluments:

(a) No Board member shall accept a gift from an existing vendor providing services directly to the Board or a vendor seeking to do business with the Board having a value exceeding $50 annually, unless it can be consumed within a twenty-four hour period.

(b) No Board Member shall directly or indirectly request, exact, receive or agree to receive from an existing vendor providing services directly to the Board or a vendor seeking to do business with the Board a loan , favor, promise, or thing of value for himself or herself or another person.

(c) No Board member shall solicit or knowingly accept contributions or services from an existing vendor providing services directly to the Board or a vendor seeking to do business with the Board.

(d) No Board member is permitted to accept an invitation to pay for travel, lodging or conference fees from an existing vendor providing services directly to the Board or a vendor seeking to do business with the Board.

**Section 7. Responsibilities of Existing Vendors Providing Services Directly to the Board and Vendors Seeking to do Business with the Board.**

Under this policy a positive obligation to inform the Board of any contribution, gifts or emoluments made to a Board member is imposed on each vendor providing services directly to the Board or a vendor seeking to do business with the Board. Accordingly the following provisions are applicable to them.

(a) The scope of this policy is applicable to the making of a contribution, the pledging of contributions, the soliciting of contributions by Board members or their representatives or the steering of contributions to third parties.

(b) The scope of this policy is applicable to contributions from principals, employees or agents of vendors providing services directly to the Board or a vendor seeking to do business with the Board.

(c) All existing vendors providing services directly to the Board will be notified by certified mail of this policy. If possible, their contracts will be amended to incorporate these provisions.

(d) All potential vendors of services to the Board will, at the time of Requests for Proposals, vendor searches and presentations to the Board be given a copy of this policy. They will make declarations of agreement not to make such contributions, gifts or emoluments exceeding $50 in value a year unless it can be consumed within twenty-four hours as required by this policy.

(e) All contracts negotiated with vendors will incorporate the provision and the strict adherence to this policy and will be considered as one of their responsibilities as fiduciaries.

**Section 8. Confidential Information**

No Pension Board member shall disclose or otherwise use confidential information acquired by virtue of his or her position on the Pension Board for his, her or another person's private gain.

**Section 9. Acquiring an Interest**

No Pension Board member shall acquire an interest in any contract or transaction at a time when he or she believes or has reason to believe that such an interest will be affected directly or indirectly by his or her official act or actions.

**Section 10. Compliance with Applicable Laws**

No Pension Board member shall engage in any activity or transaction that is prohibited by any law, now existing or hereafter enacted, which is applicable to actions of the Pension Board. When any provision of this Ethics Policy shall conflict with the laws of Georgia or the United States, such laws shall apply, If any section of this Ethics Policy shall be declared by any court to be invalid, the remaining sections shall remain applicable.

**Section 11. Ethics Policy Violations**

(a) Any Board action having been taken with the participation of a Board member having an undeclared conflict of interest as defined in this policy shall be reviewed by the Board and shall require the positive reaffirmation of the Board without the participation of the conflicted member to be made valid.

(b) Any vendor of services to the Board who. having been informed of the disclosure requirements of this policy, fails to disclose solicitations, contributions, gifts or emoluments, shall be deemed to have violated their fiduciary responsibilities to the Board and any contract with them shall be voided and that vendor shall be barred from future contracts with the Board for a period of two (2) years.

(c) Any member of the Board who fails to disclose a conflict of interest as defined in this policy shall be subject to appropriate disciplinary action by the Board. Such disciplinary actions will be one or more of the following:

- Warning or oral reprimand
- Motion of censure
- Replacement as officer of the Board
- Referral to appointing authority for further action
- Referral for prosecution, if a law has been violated

## Section 12 Procedures for Handling and Investigating Allegations of Ethics Policy Violations

The following procedures are to be followed in instances of where violations are suspected or known or allegations of violations are made:

(a) A formal, written signed allegation will be submitted to the Board by whomever is alleging a violation of the Ethics Policy. The statement must describe the nature of the violation with sufficient specificity to permit the Board to investigate the allegations. The person filling the complaint must be willing to appear before the Board to testify in support of the complaint. Written anonymous allegations will be accepted and processed in the manner as a signed allegation. A copy of the complaint shall be mailed by certified mail to the Board member against whom the allegation is filed within five (5) days after it is received.

(b) The allegation document will be forwarded to the Board's Attorney for review.

(c) The allegation will be brought before the Board at its next regular meeting and, with the assistance of the Board's Attorney, will make the decision whether to proceed with a further investigation into the facts of the case. This decision requires a majority vote of the Board.

(d) If the Board decides that the allegation, even if true, does not violate the Ethics Policy or that the allegation lacks sufficient specificity to permit further investigation, then the Board will dismiss the allegations and will state the reasons for the action. This decision requires a majority vote of the Board.

(e) If the Board decides to go forward with the allegation, the matter will be referred to the Board's Attorney who will conduct a private investigation into the facts of the matter and will issue a report of findings, with recommendations, to the Board for its consideration.. This will be done as expeditiously as possible and no later than two (2) regular Board meetings.

(f) Any Board member who is the subject of the alleged Ethics Policy violation will be provided a copy of Board Attorney's report of findings at lease 30 days prior to the scheduled hearing by the Board. The Board member will also be advised of the scheduled date and time of the Board's hearing on the matter. The Board member is permitted to have legal council representation at their expense during the hearing and will be permitted to cross examine witnesses, call witnesses and present evidence in their on behalf.

(g) The Board will make the final determination of the validity of the allegations. If the allegations are found to be invalid and unwarranted, the allegations will be dismissed. If the Board determines that the investigation reveals the allegations to be valid , will determine the appropriate sanction in accordance with provisions of Section F. No disciplinary action shall be taken against a Board member unless it is determined by a majority vote of the Board that a violation of the Ethics Policy has occurred.

**Section 13 The Effective Date of These Provisions**

The Ethics Policy shall be effective as of the adoption date. It shall be noted that these policy standards are not intended to serve as *ex post facto rules.* No contract here to fore adopted shall be voided solely because of the adoption of these policy standards and no Board member shall be sanctioned due to violating policy standards that were not thin in place.