

STATEMENT OF INVESTMENT OBJECTIVES AND GUIDELINES

GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM

INTRODUCTION

The Gwinnett County Board of Commissioners (“GCBC”) has created the Gwinnett County Public Employees Retirement System (the “GCPERS”) as the umbrella organization to govern and administer its local pension, other post-employment benefits (OPEB), and retirement savings programs. The GCPERS is intended to meet the statutory requirements applicable to public retirement systems.

The Retirement Plans Management Committee (“RPMC”) acts as the Trustee of the Gwinnett County Defined Benefit Plan (the “Plan”) and the Gwinnett County Defined Benefit Plan Master Trust (the “Trust”) established by GCBC under the GCPERS in accordance with and subject to the terms, conditions and provisions set forth in the Plan and Trust. The RPMC also serves as the Trustee of the Gwinnett County OPEB Trust (the “OPEB Trust”), which was established by GCBC for the purpose of pre-funding other post-employment benefits provided under its welfare benefit plans in accordance with statements issued by the Governmental Accounting Standards Board (GASB).

The Plan is managed by the RPMC (the “Trustees” or “Committee”) established by the Gwinnett County Board of Commissioners under the GCPERS. The address of the Plan is 75 Langley Drive, Lawrenceville, Georgia 30046-6935. The Trustees retain the services of a third-party to administer the Plan.

Plan assets are held, managed, invested and reinvested by the Trustees in accordance with this Statement of Investment Objectives and Guidelines (the “Statement”) and with an investment management agreement between the RPMC and one or more asset managers. OPEB Trust assets shall also be held, managed, invested and reinvested by the Trustees in accordance with this Statement and shall be treated in the same manner as Plan assets for purposes of this Statement. An investment consulting firm has been retained to assist the Plan in the attainment of its objectives and to monitor compliance with the adopted objectives and guidelines.

The duties and responsibilities of the Trustees, some of which are delegated to administrators, asset managers, investment advisors and others, include the following:

- A. Determining the date to make contributions to the Plan to cover operating costs and to maintain the Plan on a sound actuarial basis;
- B. Using and applying the assets of the Plan for the payment of all reasonable and necessary expenses of administering the Plan;

- C. Contracting with a vendor for funding purposes or to provide pension benefits to Plan participants;
- D. Maintaining the Plan in compliance with all applicable federal and state regulations concerning the management and conduct of the pension trust funds;
- E. Designating a Custodian bank to receive all Plan deposits;
- F. Investing that portion of the Plan that is not needed for current expenditures;
- G. Having the books and records of all Trustee transactions audited annually; and
- H. Periodically contracting for an independent actuarial review.

In addition, the Trustees have certain duties and powers that they alone may exercise, including, among others:

- A. The duty to elect from their members a Chairman and Vice Chairman and to appoint a member to the Audit Committee;
- B. The power to recommend removal of another Trustee;
- C. The power to construe the provisions of the Plan documents;
- D. The power to contract with administrators to provide actuarial, accounting, legal and administrative services and to maintain books, records and other data necessary for the proper administration of the Plan;
- E. The power to contract with consultants, administrators, and investment advisors and hire asset managers and Investment Managers to provide services related to the investment of Plan assets; and
- F. The power to promulgate rules and regulations for the sound and efficient administration of the Plan.

Whether or not the duties or responsibilities are delegated, the Trustees are responsible for the sound and efficient operation of the Plan and for administering the Plan for the exclusive benefit of the Plan's participants and beneficiaries.

PURPOSE

The purpose of this Statement is to set forth investment policies, objectives, and guidelines which the RPMC judges to be appropriate and prudent for the management of Plan assets, in consideration of the needs of the Plan's participants and beneficiaries and in compliance with the Public Retirement Systems Investment Authority Law, O.C.G.A. § 47-20-80 *et seq.* The

Statement is to assist the RPMC in more effectively supervising and monitoring the investment program of the Plan.

In the various sections of this Statement, the Trustees of the Plan define this investment program by:

- A. Stating the Trustees' attitudes, expectations and objectives in the investment of the Plan assets;
- B. Providing guidelines for the investment portfolio that control the level of risk assumed and ensures that assets are managed in accordance with stated objectives;
- C. Encouraging effective communication between the Trustees, the Plan Administrator, the investment advisors (the "Consultant"), and the Investment Managers; and
- D. Establishing criteria to monitor and evaluate the performance results achieved by the Investment Managers.

STATEMENT

This Statement represents the Trustees' current philosophy regarding the investment of the Plan assets. In addition, although the Trustees shall utilize this Statement in making decisions concerning the Plan, it shall not necessarily be bound solely by its contents. This Statement is a means of achieving the Plan's goals and meeting the Plan's obligations for benefits.

The primary asset classes of the investment portfolio will be:

A. Cash

Cash levels will vary with a zero (0) percent target but with an allocation range of zero (0) percent to five (5) percent.

B. Fixed Income Portfolio

To obtain a favorable total return on invested assets through a "liquid" diversified portfolio of high quality income-producing assets, which stress preservation of capital and income.

C. Equity Portfolio

To obtain a favorable total rate of return on invested assets and to provide long-term growth through a diversified portfolio of equity securities.

D. Alternative Investments

The Plan may invest up to five (5) percent of its total assets in certain “alternative investments,” as defined in O.C.G.A. § 47-20-87, to obtain a favorable total rate of return on invested assets consistent with their respective risk.

The investment portfolio is designed to balance the risk of the investment instruments with projected growth and income in order to meet the policy objectives.

OBJECTIVES

The objectives of the Statement are as follows:

- A. To optimize the long-term return on Plan assets at an acceptable level of risk;
- B. To maintain a broad diversification across asset classes;
- C. To maintain careful control of the risk level within each asset class;
- D. To focus on a long-term return objective; and
- E. To satisfy all fiduciary and other controlling laws and regulations.

These objectives shall be accomplished using a portfolio of investments that the Trustees feel is conducive to participation in rising markets while allowing for adequate protection in falling markets. It is the intention of the Trustees to give each Investment Manager full investment discretion with the exception of any restrictions specifically noted to each Investment Manager and those detailed in the following paragraphs.

- I. Operating Cash: The balance maintained within the operating cash account shall be synchronized with the projected uses and contributions to and from the trust. The lowest cash balance target will be projected on a rolling month to month basis over a twelve (12) month horizon with the intent to minimize the requirement to conduct non-scheduled investment calls where realized losses may occur, and to maximize the returns which may be received through active management. The intent of the operating cash account is not to build the trust assets or balances; rather, it shall be structured in a manner that will provide sufficient liquidity to pay obligations such as normal operating expenses and benefit obligations. The amount maintained with the operating cash account shall not be included in the computation of the target asset allocation.
- II. Cash: Target Allocation — zero (0) percent (including short term cash investments). As a result of normal market movements and cash flows to and from the Trust, the asset mix is expected to fluctuate around the allocation. A maximum upward deviation of five (5) percentage points from the target is an acceptable range and in accordance with these guidelines. A targeted allocation combined with a permissible allocation range shall be used

in efforts to control risk and maximize the effectiveness of the Plan's asset allocation strategy, while minimizing portfolio turnover.

A. Categories of Investment Securities

1. U.S. Treasury Bills;
2. Short-term U.S. Government/Agency obligations;
3. High Grade Commercial Paper rated by Moody's (P-1) and Standard & Poor's (A-1);
4. Other Dollar Denominated Money Market Instruments including foreign investments purchased shall be rated as acceptable investments;
5. Repurchase Agreements of U.S. Government or Agency Securities (the Plan must take possession of the collateral);
6. Money Market funds rated by Standard & Poor's as acceptable investments; and
7. Futures, options or other instruments designed to manage risk exposure.

B. Investment Restrictions

1. The maximum amount that may be invested in the securities of an individual issuer not backed by the full faith and credit of the U.S. Government or a federally sponsored agency is five (5) percent of the assets of the portfolio.
2. Leverage techniques, private placements, short techniques or any direct participation plans cannot be used.
3. All investments must be eligible investments under the Public Retirement Systems Investment Authority Law, O.C.G.A. § 47-20-80 *et seq.*

III. Fixed Income Portfolio: As a result of normal market movements and cash flows to and from the Trust, the asset mix is expected to fluctuate around the allocation target. A maximum deviation of ten (10) percentage points from the target (in either direction) is an acceptable range and in accordance with these guidelines. A targeted allocation combined with a permissible allocation range shall be used in efforts to control risk and maximize the effectiveness of the Plan's asset allocation strategy, while minimizing portfolio turnover.

A. Policy

The objective is to obtain a favorable total return utilizing various classes of investment grade fixed income securities.

B. Performance Guidelines

1. The total return on the portfolio should be judged against the total return of a representative bond index (net of fees) over each trailing three (3) and five (5) year period or market cycle.
2. In addition, it is expected that an Investment Manager's fixed income returns will rank above the median (50th percentile) versus a representative database over each rolling three (3) to five (5) year period or market cycle.

C. Investment Restrictions

1. All fixed income securities shall be of "Investment Grade" or higher quality as defined by Moody's, Standard & Poor's, or Fitch. If any security's rating falls below Investment Grade by two (2) or more rating services, the Investment Manager shall promptly inform the Trustees in writing of the intended disposition of the security. The disposition should occur within ninety (90) days of the downgrade unless directed otherwise by the Trustees.
2. No more than five (5) percent of the portfolio may be invested in any single corporate issue.
3. Leverage, private placements, shorting securities or any direct participation plans cannot be used.
4. All investments must be eligible investments under the Public Retirement Systems Investment Authority Law, O.C.G.A. § 47-20-80 *et seq.*

D. Categories of Investment Securities

1. U. S. Treasury securities;
2. U. S. Government agency obligations;
3. Mortgage-related securities;
4. Corporate debt (including asset-backed) securities;
5. Taxable state and municipal securities;

6. Foreign (including emerging market debt) securities;
7. High quality Guaranteed Investment Contracts (GICs) (AA or better as rated by A. M. Best);
8. Futures, options or other instruments designed to manage risk exposure; and
9. Exchange Traded Funds (ETFs).

IV. Equity Portfolio: As a result of normal market movements and cash flows to and from the Trust, the asset mix is expected to fluctuate around the allocation target. A targeted allocation combined with a permissible allocation range shall be used in efforts to control risk and maximize the effectiveness of the Plan's asset allocation strategy, while minimizing portfolio turnover.

A. Policy

Growth of capital and surplus is sought primarily through equity investments in a diversified common stock portfolio.

B. Percent of Portfolio

As a result of normal market movements and cash flows to and from the Trust, the asset mix is expected to fluctuate around the allocation target. Generally, a maximum deviation of ten (10) percentage points from the target allocation (in either direction) is an acceptable range and in accordance with these guidelines. Notwithstanding the foregoing, the maximum permissible allocation of the Plan's assets in equities shall be the limit applicable to "large retirement systems" in O.C.G.A. § 47-20-84.

C. Performance Guidelines

1. This portion of the portfolio will be judged against the benchmark established for each asset class (net of fees) over each trailing three (3) and five (5) year period or market cycle or another appropriate benchmark which more closely resembles the overall character of the Investment Manager's equity portfolio.
2. In addition, it is expected that an Investment Manager's equity returns will rank above the median (fiftieth percentile) (50th percentile) versus a representative database over each trailing three (3) and five (5) year period or market cycle.

D. Investment Restrictions

1. For diversification purposes, no more than five (5) percent of each Investment Manager's equity portfolio shall be invested in any one issue at initial purchase. In addition, no individual security position shall exceed ten (10) percent of an Investment Manager's total equity portfolio asset market value. REIT portfolio manager(s) shall be allowed to invest up to ten (10) percent of their portfolio in any one issue based on cost value. Commingled investment vehicles, such as mutual funds, are exempt from this restriction.
2. There shall be no purchase that would cause a position in the portfolio to exceed five (5) percent of the issue outstanding, based on cost value.
3. There shall be no investments in non-marketable or illiquid securities.
4. Each Investment Manager may employ market-timing decisions through cash management.
5. Leverage techniques, private placements, short techniques or any direct participation plans cannot be used.
6. All investments must be eligible investments under the Public Retirement Systems Investment Authority Law, O.C.G.A. § 47-20-80 *et seq.*

E. Categories of Investment Securities

1. Domestic common stocks;
2. Foreign common stocks traded on U. S. Exchanges;
3. Convertible preferred and convertible debt securities;
4. Futures, options or other instruments designed to manage risk exposure;
5. Exchange Traded Funds (ETFs);
6. Open and closed end mutual funds; and
7. Commingled funds and trusts.

- V. Alternative Investments: The Plan may invest in "alternative investments," as defined in O.C.G.A. § 47-20-87. Alternative investments will not in the aggregate exceed five (5) percent of the total assets of the Plan (determined on the basis of the assets' aggregate historical cost). Investment vehicles such as privately placed investment pools (structured as a partnership, limited liability company, trust, corporation, joint venture, or other entity or investment vehicle of any type) may be used to invest in venture capital, real estate, private

equity, hedge funds and other types of alternative investments permitted by O.C.G.A. § 47-20-87.

The nature of such investing calls for a longer-term investment horizon than that of other fund investments. It is expected that certain investments may initially be illiquid in nature, may require a lock-up period, and that the return of capital and profits will generally occur between five and ten years after the initial investment. The annualized returns provided by these investments are expected to be consistent with their respective risk. Each vehicle should be diversified to avoid large losses.

A. Alternative Investment Restrictions

1. Alternatives investments shall be made in accordance with O.C.G.A. § 47-20-87.
2. An alternative investment shall not exceed in any case 20% of the aggregate amount of:
 - a. The capital to be invested in the applicable private pool, including all parallel pools and other related investment vehicles established as part of the investment program of the applicable private pool; and
 - b. The securities being issued in each case determined at time such alternative investment is initially either made or committed to be made, as applicable but taking into consideration any investment that have previously been or are concurrently being made or committed to be made.
3. The investment shall have at least four other investors not affiliated with the issuer.
4. The issuer shall have at least \$100 million in assets, including committed capital, at the time the investment is initially made or committed.

ASSET ALLOCATION

I. Asset Allocation Policy

An asset allocation/liability study will be conducted periodically to determine an appropriate asset mix and investment management structure designed to maximize long-term investment returns while minimizing investment risk. Specific asset allocation policies will be addressed whenever the members of the RPMC, the Investment Committee or the Consultant deems necessary. Some specific occurrences which might prompt the RPMC to review the asset allocation policy would include:

1. Changes in state law or new legislation or regulations;
2. Changes in funding level of the Plan or changes in Actuarial methods;
3. Changes in Plan demographics or benefit design;
4. Changes in prospects for County revenue growth, growth of work force or employee salaries; and
5. Changes in capital markets, interest rates, the outlook for future asset class returns or availability of new asset classes.

II. Target Asset Allocations

The Asset class targets and ranges will be based on market values. The RPMC recognizes that a rigid asset allocation would be both impractical and undesirable under various market conditions. Therefore, the allocation of the Plan's assets may vary from time to time within the following ranges, without being considered an exception to this investment policy.

Asset Class	Target	Range	Benchmark
US Large Cap	30.0%	20% - 35%	Russell 1000
US Mid Cap	7.5%	5% - 15%	Russell Mid Cap Index
US Small Cap	7.5%	5% - 15%	Russell 2000 Index
International	10%	5% - 15%	MSCI ACWI ex U.S.*
Global Allocation	10%	5% - 15%	HFRX Global Hedge
Real Estate	5%	0% - 15%	NAREIT Equity Index
Emerging Markets	5%	0% - 10%	MSCI Emerging Markets
U.S. Fixed Income	20%	20% - 50%	Barclays Aggregate*
Global Fixed Income	5%	0% - 10%	CG World Gov't Bond/BC Global AGG Ex US
Cash	0%	0% - 5%	Citigroup – 3-Month Treasury Bill
Total	100%		

*Or any other appropriate index that best fits an investment manager's style and objective.

In order to keep the Plan in-line with the defined asset allocation targets and ranges (as defined by this policy), the Investment Committee will review the asset allocation on a quarterly basis. In the event market fluctuation causes any portfolio allocation to fall outside of its target range, the Investment Committee may take necessary action to rebalance. The preferred rebalancing tool shall be net cash flows if available, to minimize portfolio turnover and transaction costs. The rebalancing process may result in the movement of assets from recently strong performing asset classes which may be highly valued into lower valued asset classes. Over the long-term, this discipline is expected to enhance portfolio returns while reducing risk (volatility) by realizing gains in one asset class and using those funds to make additional purchases in the undervalued asset class.

The RPMC may use passive investments for those asset classes where the asset class or the Investment Managers have not been able to generate excess returns. These products include

index funds and exchange traded funds (ETFs). Also, passive investment funds will be used during interim periods when Investment Managers have been terminated and active manager searches are being conducted.

RESPONSIBILITIES

I. Investment Managers shall:

- A. Provide quarterly written documentation of portfolio activity, portfolio valuations, performance data, and other information as requested by the Plan Administrator, the RPMC, and the Consultant WITHIN THIRTY (30) DAYS OF THE END OF EACH CALENDAR QUARTER. Each Investment Manager's quarterly report should include a summary of all executions, including transaction price, fees, and commission disclosure.
- B. Report immediately to the Plan Administrator, Trustees, and Consultant, in writing, any substantive changes in investment strategy, portfolio structure or portfolio manager, and market value of managed assets as well as significant changes in the ownership, affiliations, organizational structure, financial condition, professional personnel staffing and clientele of the investment management organization.
- C. Submit a completed Form ADV (used to regulate Investment Advisors) on an annual basis to the Plan Trustees. If any changes are made to key personnel, ownership or any other critical areas of the Investment Manager's firm, a copy of the amended ADV should be sent to the Plan Administrator, Trustees and Consultant within sixty (60) days of the change.
- D. Exercise prudent discretionary authority over the assets entrusted to the Investment Manager, subject to these guidelines, objectives and restrictions.
- E. To the extent that the responsibility for voting proxies is the responsibility of the Investment Manager, vote all proxies and give a general summary report to the Trustees of proxy voting activities on an annual basis and provide to the Trustees their guidelines on proxy voting activities. Investment Managers shall vote all proxies in accordance with their fiduciary responsibilities to the Plan.
- F. Acknowledge in writing the receipt of this Statement and the acceptance of its terms. If the Investment Manager believes at any time that any changes, additions, or deletions to the Statement are advisable, it will be the responsibility of the Investment Manager to recommend such changes, in writing, to the Plan Administrator, Trustees, and Consultant.
- G. Comply with the Public Retirement Systems Investment Authority Law, O.C.G.A. § 47-20-80 *et seq.*, and specifically including the provision applicable to Large Retirement Systems found at O.C.G.A. § 47-20-84.

H. Acknowledge in writing that it is a fiduciary with respect to the Plan assets under its management and certify in writing that it is either an investment advisor, bank, or insurance company, which is qualified to be appointed as Investment Manager.

II. The RPMC shall:

- A. Perform an annual review of this Statement and solicit input for any modifications or changes from the Consultant or the Investment Committee. Investment Managers will be notified of revisions to the policy, and individual contracts with Investment Managers will be modified as needed to comply with any changes in the Statement.
- B. Hire competent registered professional Investment Managers to manage the assets of the Plan. This selection process shall include the establishment of specific search criteria, analysis, and due diligence review of potential managers, and interviews when appropriate. Investment Managers must meet the following minimum criteria: (i) registered as an investment advisor as defined in the Investment Advisors Act of 1940, be a bank as defined in such Act, or be an insurance company qualified to perform the services of Investment Manager under the laws of more than one state; (ii) historical quarterly performance that complies with the parameters established in each search and consistent with the investment strategy under consideration; and (iii) demonstrated financial and professional staff stability based on requisite historical company information. No Investment Manager shall be hired who has not, by their record and experience, demonstrated their investment experience, their fiduciary responsibility, and their capacity to undertake the mandate for which they are being considered.
- C. Accept the specific investment guidelines or mandates appropriate to each Investment Manager established by the Consultant and approved by the Investment Committee of the RPMC. These guidelines will account for the unique characteristics of the asset class, style, and strategies of each Investment Manager and shall be agreed to by each Investment Manager managing Plan assets. These mandates shall set return targets, risk measures, benchmarks, diversification standards and other matters appropriate to the specific mandates.
- D. Evaluate the performance of Investment Managers on an annual basis. Performance review will not only include the examination of investment returns, but the risk assumed to achieve those returns. Evaluation of overall investment returns should generally be over a longer (such as a three (3) year) period. Comparisons to appropriate benchmarks, market indexes and manager indexes will be used to evaluate relative performance. Investment Managers will also be evaluated for adherence to this Statement. Performance reviews will also focus on material changes in the Investment Manager's organization, such as philosophical and personnel changes, acquisitions or losses of major accounts, etc.
- E. Terminate Investment Managers whenever in the opinion of the RPMC:
 - 1. Their performance has been inconsistent with the benchmarks established by

their mandate either due to inadequate excess investment returns (net of fees) or a high level of risk. Decisions based on performance will be made only after a full market cycle, typically three (3) to five (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;

2. They have committed a significant breach of their mandate or directive, have breached a fiduciary duty, have experienced the loss of key personnel, change in ownership, consultant downgrade, or any other reasons that may cause a concern to the RPMC. The RPMC may put an individual Investment Manager on a Watch List to monitor any deficiencies or items of concern about the Investment Manager; or
3. Their investment management fees are not reasonable or otherwise not in line with industry standards.

Investment Managers may be terminated if there are any changes in the asset allocation structure which may dictate or require a change in Investment Managers.

The Consultant will make a specific recommendation to the RPMC on the termination of Investment Managers. This recommendation will be voted on by the Investment Committee prior to submitting to the RPMC.

F. Hire a Consultant to regularly monitor the performance of Plan assets and provide quarterly reports that monitor performance of each Investment Manager and each investment class. In addition, the Investment Advisor will monitor:

1. Each Investment Manager's adherence to their investment objectives;
2. Comparison and ranking of each Investment Manager results to appropriate peers;
3. Portfolio characteristics that are not in line with the Investment Manager's style or peer group style;
4. Changes in the portfolio managers or in key decision makers; and
5. Material changes in the Investment Manager's organization, investment or professional personnel changes, acquisition or ownership changes, or loss of accounts.

G. Meet as often as needed with each Investment Manager for due diligence.

H. Develop investment objectives and performance measurement standards that are consistent with the financial needs of the Plan.

- I. At its discretion and approval, make available a Securities Lending program to the Custodian. The objective will be to provide additional income to the Plan at an acceptable level of risk. Under the Program:
 1. All loans shall be marked-to-market daily;
 2. Collateral on each loan shall be at least one hundred (100) percent of loan value for domestic securities;
 3. Acceptable collateral shall be in the form of cash, U.S. Government securities, or Letters of Credit; and
 4. The Custodian will provide borrower default indemnification in the event that securities are not returned.

The Investment Committee will monitor the program on at least an annual basis.

- J. Periodically review and evaluate investment results in the context of predetermined performance standards and implement corrective action as needed.
- K. Periodically review fees, commissions and expenses, including but not limited to investment management, investment consulting, brokerage, transactional, banking, and custodial.
- L. To the extent that the responsibility for voting proxies is not the responsibility of the Investment Manager, the Investment Committee will determine the proper voting of proxies related to the investment. Because the investment funds are prudently selected and monitored, and underperforming investment funds are removed when necessary, the Investment Committee will usually vote in support of the management proposals in the proxies. However, the Investment Committee will review the proxy statements for proposals which could be detrimental to the best interests of the Plan and its participants and will vote the Plan's shares against those proposals. For example, the Investment Committee will generally vote against proposals which:
 1. Increase the expenses of the investment fund.
 2. Increase the risk of the investments in the investment fund.
 3. Would result in a change to an investment style inconsistent with the objective and targeted asset class for which the investment fund was chosen.

III. The Investment Consultant shall:

- A. Assist in the development and implementation of investment policies, objectives and guidelines.

- B. Prepare and present performance evaluation reports and attend Trustee meetings to present evaluation reports. Investment returns shall be compared to objectives and performance benchmarks in conjunction with the Consultant's presentation of results. The Consultant's performance reporting will be quarterly or any interim time period as designated by the Trustees.
- C. Review contracts and fees for both current and proposed Investment Managers.
- D. Communicate investment objectives and guidelines to the Investment Managers. Periodically review their adherence to such policies, and to the extent possible, report all violations to the Trustees.
- E. Notify the Plan Administrator and the Trustees of any material changes in professional personnel or ownership of the Consultant's firm, as it relates to the Gwinnett County Public Employees Retirement System.
- F. Assist the Plan Administrator, Gwinnett County staff and Trustees with additional projects as requested.
- G. From information obtained from the Custodian and Investment Manager reports, advise the Plan Administrator and the Trustees of substantive changes in the market value of the Plan's total asset base and/or holdings of an Investment Manager as a result of dramatic changes in market conditions.

WATCH LIST AND TERMINATION POLICY

The Watch List is a mechanism used by the Investment Committee and the RPMC to express its general discomfort with or loss of confidence in an Investment Manager. 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 RPMC'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 consultant downgrade in research rating. Non-compliance with qualitative criteria will trigger a due diligence review and may lead to a recommendation to place the Investment Manager on the Watch List or terminate the Investment Manager. Quantitative analysis of performance will focus on the following:

- One (1) year peer universe ranking in the ninetieth (90th) percentile or lower will trigger a due diligence review.
- Three (3) year and five (5) year peer universe ranking in the fiftieth (50th) percentile or lower will trigger a due diligence review and recommendation to the RPMC, which may lead to a Watch List or termination recommendation.
- Three (3) year annualized return less than ninety (90) percent of benchmark return will trigger a due diligence review.

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 (2) consecutive quarters. A firm may be removed from the Watch List at the discretion of the RPMC. The Watch List Policy does not limit the RPMC'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 RPMC. If the RPMC determines (with advice from the consultant) the Investment Manager is unlikely (without style drift) to meet the Investment Manager requirements, the Investment Manager may be terminated.

APPROVED BY:

For the Gwinnett County Retirement Plans Management Committee:


Signature

James L. Underwood
Name (Print or Type)

Chairman, Gwinnett County Retirement Plans Management Committee (RPMC)
Title

8/24/2017
Date

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