

**El Paso County Retirement Plan
Strategic Asset Allocation and Investment Structure
October 2017**

Purpose of the Strategic Asset Allocation and Investment Structure

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

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

Actuarial Assumed Rate of Return

The current actuarial assumed rate of return is 8.0%.

Strategic Asset Class Targets and Ranges

Asset Class	Sub-Asset Class	Current Target	Allowable Range
Equity		<u>45%</u>	35% - 55%
	Public Equity	40%	35% - 50%
	Private Equity	5%	0% - 10%
Debt		<u>25%</u>	20% - 35%
	Fixed Rate	10%	5% - 20%
	Floating Rate	15%	10% - 20%
Alternatives		<u>30%</u>	20% - 40%
	Low Volatility	10%	5% -15%
	Liquid Real Assets	5%	0% - 10%
	Equity Real Estate	15%	10% - 20%

Liquidity Policy

The IPS states that the Executive Director of the Plan will determine the appropriate level of cash reserves depending on the anticipated liquidity needs. The Executive Director has determined that the current liquidity requirements are \$4 million. When the balance exceeds \$5 million, excess reserve cash will be transferred into the invested assets. When the balance falls below \$500,000, the cash reserves will be replenished to \$4 million by liquidation of invested assets. The Plan Administrator, with the assistance of the Investment Consultant, will coordinate all investment manager cash inflows and outflows with the effected products and with the Plan's custodial bank.

Investment Manager Selection Guidelines

1. When, in consultation with the Consultant, the Board determines that a manager search is warranted, the Board will direct the Consultant to institute, coordinate and summarize the findings of the search. Identification of candidates will come from the manager search database maintained by the Consultant and such other sources as determined by the Board. The Board will strive to hire managers that offer the greatest incremental benefit to the Plan, net of fees and expenses.
2. The Consultant, working with the Board, will establish certain consistently applied minimum criteria for an investment manager to be considered to participate in the search. All qualified candidates will receive fair consideration.
3. Analysis of qualified candidates will be based on:
 - a. Quantitative characteristics, such as Global Investment Performance Standards (GIPS) –compliant composite return data, risk-adjusted rates of return and relevant portfolio characteristics,
 - b. Qualitative characteristics, such as key personnel, investment philosophy, investment strategy, research orientation, decision making process, and risk controls, and
 - c. Organizational factors such as type and size of firm, ownership structure, client servicing capabilities, ability to obtain and retain clients and fees.
4. The Board may interview finalist candidates or may select managers without formal interviews.

Performance Benchmarks

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

Total Plan Benchmarks:

Absolute Return:	8.0%		
Relative Return:	Public Defined Benefit Pension Plans		
Benchmark Index:	40%	MSCI All Country World	(Equity – Public)
	5%	Russell 3000	(Equity – Private)
	10%	BBgBarc US Aggregate	(Debt – Fixed Rate)
	15%	Credit Suisse Leverage Loan	(Debt – Floating Rate)
	5%	HFRI Fund of Funds	(Low Volatility – Hedge FOF)
	5%	50% S&P 500/50% T-Bills	(Low Volatility – Defensive Equity)
	5%	Alerian MLP	(Liquid Real Assets – MLPs)
	10%	NFI ODCE Net of Fees	(Real Estate – Private Core Equity)
	5%	NCREIF Property	(Real Estate – Private Value-add Equity)

Investment Products:

Investment Manager	Investment Product	Fee Structure	Investment Style/Universe	Benchmark Index	Target Allocation
Vanguard Group	Vanguard Institutional Index, Ticker VINIX	0.04% Expense Ratio	U.S. Equity Index	S&P 500	15%
Vanguard Group	Vanguard Developed Markets Index – I, Ticker: VTMNX	0.06% Expense Ratio	Non-U.S. Equity Index	FTSE Developed All Cap ex US	7.5%

Investment Manager	Investment Product	Fee Structure	Investment Style	Benchmark Index	Target Allocation
Harding Loevner	Harding Loevner International Equity – Z, Ticker HLIZX	0.80% Expense Ratio	Non-U.S. Equity Core/Growth	MSCI ACW ex-U.S.	7.5%
LMCG	Small Cap Value Separate Account	0.90% of Assets	U.S. Equity Small Cap Value	Russell 2000 Value	5%
Aberdeen Asset Management	Aberdeen Emerging Markets Equity Commingled Fund	1.0% of Assets	Emerging Markets Equity	MSCI Emerging Markets	5%
Private Equity Program	Multiple Managers/Products	Varies	Private Equity	Russell 3000	5%
Garcia Hamilton & Associates	Core fixed income separate account	0.30% on first \$10 million 0.25% on remainder	Core Fixed Income	BBgBarc US Aggregate	5%
Loomis Sayles & Company	Core Plus Fixed Income Collective Investment Trust B	0.34% on first \$20 million 0.25% on next \$20 million	Core Plus Fixed Income	BBgBarc US Aggregate	5%
Bain Capital	Bain Capital Senior Loan Fund: Commingled fund	0.55% Management Fee 0.13% Administrative Fee	Senior Secured Floating Rate Loans	Credit Suisse Leveraged Loan	5%
Private Debt Program	Multiple Managers/Products	Varies	Private Debt/Credit	Credit Suisse Leverage Loan	5%
Principal Real Estate Investors	Principal Real Estate Debt: Commingled fund	0.95% of Assets 15% incentive over 8% preferred	Private Real Estate Debt	Credit Suisse Leveraged Loan	5%
Principal Real Estate Investors	Principal Real Estate Debt II: Commingled fund	0.85% of Assets 15% incentive over 7% preferred	Private Real Estate Debt	Credit Suisse Leveraged Loan	

Investment Manager	Investment Product	Fee Structure	Investment Style	Benchmark Index	
Grosvenor Capital Management	Grosvenor Institutional Partners, L.P.	1.25% on first \$25 million 1.00% on next \$25 million	Hedge Fund of Funds – Multi-Strategy	HFR Fund of Funds	5%
Parametric Portfolio Associates	Parametric Defensive Equity, LLC	0.35% of Assets	Defensive Equity	50% S&P 500/ 50% T-Bills	5%
Tortoise Capital Advisors	Master Limited Partnership (MLP) Separate Account	0.75% of Assets	Master Limited Partnerships	Alerian MLP	5%
Clarion Partners	Clarion Lion Properties fund: Commingled fund	1.2% of Investments 0.1% of Cash Equivalents	Core U.S. Private Equity Real Estate	NFI ODCE	10%
Clarion Partners	Clarion Lion Value fund: Commingled fund	1.2% of Investments 0.1% of Cash Equivalents	Value-add Private Equity Real Estate	NCREIF Property	0%
Harbert Management Corporation	Harbert United States Real Estate Fund V: Commingled fund	1.5% of Committed/Managed Assets 20% incentive over 9% preferred	Value-add Private Equity Real Estate	NCREIF Property	5%
Harbert Management Corporation	Harbert United States Real Estate Fund VI: Commingled fund	1.25% of Committed/Managed Assets 20% incentive over 9% preferred	Value-add Private Equity Real Estate	NCREIF Property	

Private Equity Program Structure:

Investment Manager	Investment Product	Commitment Amount	Vintage	Fee Structure	Investment Style
Private Advisors	Small Company PE VI	\$5 million	2014 - 2016	1.0% of Committed Capital 5% Carry over 8% Preferred	Small Buyout Fund-of-Funds
Horsley Bridge	XI Venture	\$3 million	2015 - 2017	1.0% of Committed Capital	Venture Capital Fund-of-Funds
Siguler Guff	Small Buyout Opportunity Fund III	\$3.2 million	2016 - 2018	Yrs 1-5: 1.0% of Committed Capital Thereafter: 80% of prior annual fee 5% Carry over 8% Preferred	Small Buyout Fund-of-Funds
Weathergagge	Venture Capital IV	\$1.6 million	2016 - 2018	Yrs 1-7: 1.0% of Committed Capital Thereafter: 90% of prior annual fee 2.5% to 7.5% tiered Carry based on multiples achieved	Venture Capital Fund-of-Funds
Future Private Equity Managers					

Private Debt/Credit Program Structure:

Investment Manager	Investment Product	Commitment Amount	Vintage	Fee Structure	Investment Style
Golub Capital	Partners International 11	\$8 million	2017 - 2019	1.25% on Middle Market Assets 0.50% on Broadly Syndicated Loans 20% Carry over 8% Preferred	Middle Market Loans
Future Private Debt/Credit Managers					

Vendor Information

Investment Consultant

Ellwood
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Investment Management Firms

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Harding Loevner

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LMCG

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Aberdeen Standard Investments

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Bain Capital

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Golub Capital

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