



RESOLUTION No. 17-283

OF THE BOARD OF SUPERVISORS OF THE COUNTY OF NEVADA

RESOLUTION APPROPRIATING \$3,200,000 FROM THE PENSION CONTRIBUTIONS ASSIGNMENT OF THE GENERAL FUND TO PRE-FUND PENSION CONTRIBUTIONS IN THE POST-EMPLOYMENT BENEFITS TRUST PROGRAM ADMINISTERED BY PUBLIC AGENCY RETIREMENT SERVICES (PARS) (4/5 AFFIRMATIVE VOTE REQUIRED)

WHEREAS, the Board of Supervisors recognizes that pension costs are a continued threat to the county's objective of maintaining financial stability and core services, and that pre-funding future pension costs and stabilizing pension contributions will help achieve County fiscal objectives; and

WHEREAS, in the Fiscal Year 2015-16 adopted budget the Board of Supervisors added \$3,600,000 to the General Fund Pension Contribution assignment, increasing the amount in that assignment to a total of \$7,187,000; and

WHEREAS, on May 9, 2017, the Board of Supervisors passed Resolution 17-208 to adopt the PARS Public Agency Post-Employment Benefits Trust Program (Program), a tax-exempt trust program within the meaning of Section 115 of the Internal Revenue Code which allows for setting aside funds the exclusive purpose of making future contributions of the County's required pension contributions and any additional employer contributions above the required contributions at the discretion of the County; and

WHEREAS, the County ad hoc Debt Advisory Committee (DAC), including the offices of the County Executive Office, Auditor-Controller, Treasurer-Tax Collector, and County Counsel, met with representatives of PARS and investment advisor Highmark Capital and agreed on an investment strategy for the Program based on County Program objectives which will be periodically reviewed by the DAC and investment strategy modified accordingly; and

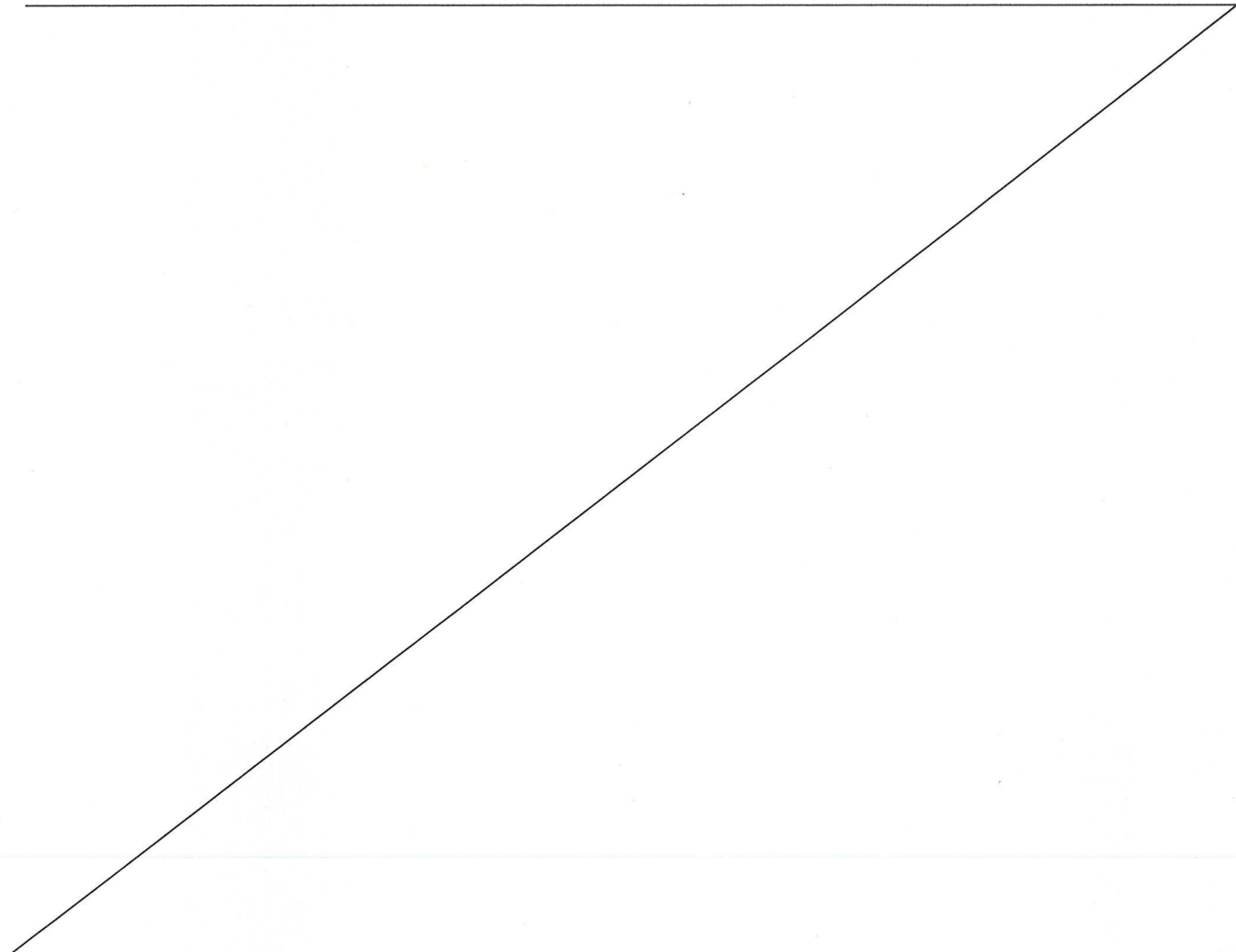
WHEREAS, the County DAC recommend that the Board of Supervisors transfer \$3,200,000 from the General Fund assigned for Pension Contributions to the newly established Section 115 Trust to begin the Program.

NOW, THEREFORE, BE IT HEREBY RESOLVED that the Nevada County Board of Supervisors hereby directs the Auditor-Controller to release \$3,200,000 of the General Fund Pension Contributions assignment and to amend the Fiscal Year 2016/2017 Sources and Uses budget as follows:

Increase:

0101-10206-272-1000 – 522090

\$3,200,000



PASSED AND ADOPTED by the Board of Supervisors of the County of Nevada at a special meeting of said Board, held on the 20th day of June, 2017, by the following vote of said Board:

Ayes: Supervisors Heidi Hall, Edward Scofield, Dan Miller, Hank Weston and Richard Anderson.

Noes: None.

Absent: None.

Abstain: None.

ATTEST:

JULIE PATTERSON HUNTER
Clerk of the Board of Supervisors

By:  _____



Hank Weston, Chair

6/20/2017 cc: CEO*
AC* (Hold)

6/27/2017 cc: CEO*
AC* (Release)



Investment Guidelines Document

Nevada County

Employee Benefits Fund Pension Plan

June 2017

Investment Guidelines Document

Scope and Purpose

The purpose of this Investment Guidelines Document is to:

- Facilitate the process of ongoing communication between the Plan Sponsor and its plan fiduciaries;
- Confirm the Plan's investment goals and objectives and management policies applicable to the investment portfolio identified below and obtained from the Plan Sponsor;
- Provide a framework to construct a well-diversified asset mix that can potentially be expected to meet the account's investment needs that is consistent with the account's investment objectives, liquidity considerations and risk tolerance;
- Identify any unique considerations that may restrict or limit the investment discretion of its designated investment managers;
- Help maintain a long-term perspective when market volatility is caused by short-term market movements.

Key Plan Sponsor Account Information as of May 2017

Plan Sponsor:	County of Nevada
Governance:	The County Board of Supervisors for the County of Nevada
Plan Name ("Plan"):	County of Nevada Employee Benefit Fund Pension Plan
Trustee:	US Bank Contact: Sue Hughes, 949-224-7209 Susan.Hughes@usbank.com
Type of Account:	<i>Pension Plan</i>
ERISA Status:	Not subject to ERISA
Investment Manager:	US Bank, as discretionary trustee, has delegated investment management responsibilities to HighMark Capital Management, Inc. ("Investment Manager"), an SEC-registered investment adviser Contact: Andrew Brown, CFA, 415-705-7605 Andrew.brown@highmarkcapital.com

Investment Authority: Except as otherwise noted, the Trustee, US Bank, has delegated investment authority to HighMark Capital Management, an SEC-registered investment adviser. Investment Manager has full investment discretion over the managed assets in the account. Investment Manager is authorized to purchase, sell, exchange, invest, reinvest and manage the designated assets held in the account, all in accordance with account's investment objectives, without prior approval or subsequent approval of any other party(ies).

Investment Objectives and Constraints

The goal of the Plan's investment program is to provide a consistent level of inflation protected income over the medium term, will result in sufficient assets to pay the present and future obligations of the Plan. The following objectives are intended to assist in achieving this goal:

- The Plan should seek to earn a return in excess of its policy benchmark over the life of the Plan.
- The Plan's assets will be managed on a total return basis which takes into consideration both investment income and capital appreciation. While the Plan Sponsor recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. To achieve these objectives, the Plan Sponsor allocates its assets (asset allocation) with a strategic perspective of the capital markets.

Investment Time Horizon: Medium to Long-term

Anticipated Cash Flows: The initial contribution is estimated to be \$3.2 million. Assets in the Plan will seek to mitigate the impact of future rate increases from CalPERS. The Plan may transfer assets from time to time upon written direction from the Plan Administrator to CalPERS, any insurers, third party administrators, service providers or other entities providing services in connection with determining the Plan Sponsor's pension obligation, or to the Plan Sponsor for reimbursement of amounts paid toward its pension obligation.

Investment Objective: The primary objective is to provide a consistent level of inflation protected income over the medium-term. The assets in this Plan will eventually be used to fund Pension Plan obligations for assets managed in the CalPERS Trust. The assets in this Trust are also available to mitigate the potential negative impact of future rate hikes from CalPERS.

Risk Tolerance: *Conservative*
The account's risk tolerance has been rated Conservative, which demonstrates that the account can accept some price fluctuations to pursue its investment objectives.

Strategic Asset Allocation: The asset allocation ranges for this objective are listed below:

<i>Strategic Asset Allocation Ranges</i>		
Cash	Fixed Income	Equity
0-20%	60%-95%	5%-20%
Policy: 5%	Policy: 80%	Policy: 15%

Market conditions may cause the account's asset allocation to vary from the stated range from time to time. The Investment Manager will rebalance the portfolio no less than quarterly and/or when the actual weighting differs substantially from the strategic range, if appropriate and consistent with your objectives.

Security Guidelines:

Equities

With the exception of limitations and constraints described above, Investment Manager may allocate assets of the equity portion of the account among various market capitalizations (large, mid, small) and investment styles (value, growth). Further, Investment Manager may allocate assets among domestic, international developed and emerging market equity securities.

Total Equities	5%-20%
<i>Equity Style</i>	<i>Range</i>
Domestic Large Cap Equity	5%-20%
Domestic Mid Cap Equity	0%-5%
Domestic Small Cap Equity	0%-7%
International Equity (incl Emerging Markets)	0%-7%
Real Estate Investment Trust (REIT)	0%-5%

Fixed Income

In the fixed income portion of the account, Investment Manager may allocate assets among various sectors and industries, as well as varying maturities and credit quality that are consistent with the overall goals and objectives of the portfolio.

Total Fixed Income	60% - 95%
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Eligible Investments

- Debt obligations of the U.S. Government, its agencies, and Government Sponsored Enterprises
- Mortgage-Backed Securities (MBS)
- Asset Backed Securities (ABS)
- Collateralized Mortgage Obligations (CMO)
- Commercial Mortgage-Backed Securities (CMBS)

- Corporate debt securities issued by U.S. or foreign entities including, but not limited to, limited partnerships, equipment trust certificates and enhanced equipment trust certificates
- Eligible instruments issued pursuant to SEC Rule 144(a)
- Municipal Bonds
- Index based Fixed Income mutual funds
- Exchange traded fixed income funds

Quality

The portfolio will maintain a minimum weighted average quality of A- at all times. Individual securities shall have a minimum quality rating of Baa3 by Moody's or BBB- by Standard & Poor's (S&P).

Duration

The manager will maintain the portfolio duration within +/- 25% of the benchmark duration of the Bloomberg Barclays US Aggregate Bond Index at all times.

Diversification

- No more than 5% of the portfolio assets may be invested in any individual issuer, with the exception of securities issued or guaranteed by the U.S. Government, its agencies, and Government Sponsored Enterprises.
- No more than 10% of the portfolio may be invested in securities issued under Rule 144A.

Performance Benchmarks:

The performance of the total Plan shall be measured over a three and five-year periods. These periods are considered sufficient to accommodate the market cycles experienced with investments. The performance shall be compared to the return of the total portfolio blended benchmark shown below.

Total Portfolio Blended Benchmark

7.50%	S&P500 Index
1.50%	Russell Mid Cap Index
2.50%	Russell 2000 Index
1.00%	MSCI Emerging Market Index
2.00%	MSCI EAFE Index
0.50%	Wilshire REIT Index
52.25%	Bloomberg Barclays US Aggregate Bond Index
25.75%	ML 1-3 Year US Corp/Gov't Index
2.00%	US High Yield Master II
5.00%	Citi 1Mth T-Bill

Asset Class/Style Benchmarks

Over a market cycle, the long-term objective for each investment strategy is to add value to a market benchmark. The following are the benchmarks used to monitor each investment strategy:

Large Cap Equity	S&P 500 Index
Growth	S&P 500 Growth Index

Value	S&P 500 Value Index
Mid Cap Equity	Russell Mid Cap Index
Growth	Russell Mid Cap Growth Index
Value	Russell Mid Cap Value Index
Small Cap Equity	Russell 2000 Index
Growth	Russell 2000 Growth Index
Value	Russell 2000 Value Index
REITs	Wilshire REIT Index
International Equity	MSCI EAFE Index
Investment Grade Bonds	Bloomberg Barclays US Aggregate Bond Index
High Yield	US High Yield Master II

Security Selection

Investment Manager may utilize a full range of investment vehicles when constructing the investment portfolio, including but not limited to individual securities, mutual funds, and exchange-traded funds. In addition, to the extent permissible, Investment Manager is authorized to invest in shares of mutual funds in which the Investment Manager serves as advisor or sub-adviser.

Investment Limitations:

The following investment transactions are prohibited:

- Direct investments in precious metals (precious metals mutual funds and exchange-traded funds are permissible).
- Venture Capital
- Short sales*
- Purchases of Letter Stock, Private Placements, or direct payments
- Leveraged Transactions*
- Commodities Transactions Puts, calls, straddles, or other option strategies*
- Purchases of real estate, with the exception of REITs
- Derivatives, with exception of ETFs*

**Permissible in diversified mutual funds and exchange-traded funds*

Duties and Responsibilities

Responsibilities of Plan Sponsor

The Debt Advisory Committee of the County of Nevada is responsible for:

- Confirming the accuracy of this Investment Guidelines Document, in writing.
- Advising Trustee and Investment Manager of any change in the plan/account's financial situation, funding status, or cash flows, which could possibly necessitate a change to the account's overall risk tolerance, time horizon or liquidity requirements; and thus would dictate a change to the overall investment objective and goals for the account.
- Monitoring and supervising all service vendors and investment options, including investment managers.
- Avoiding prohibited transactions and conflicts of interest.

Responsibilities of Trustee

The plan Trustee is responsible for:

- Valuing the holdings.
- Collecting all income and dividends owed to the Plan.
- Settling all transactions (buy-sell orders).

Responsibilities of Investment Manager

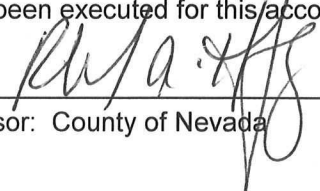
The Investment Manager is responsible for:

- Assisting the Debt Advisory Committee with the development and maintenance of this Investment Policy Guideline document annually or periodically upon request of the Plan Sponsor.
- Meeting with Debt Advisory Committee annually or periodically upon request of the Plan Sponsor to review portfolio structure, holdings, and performance.
- Designing, recommending and implementing an appropriate asset allocation consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
- Researching and monitoring investment advisers and investment vehicles.
- Purchasing, selling, and reinvesting in securities held in the account.
- Monitoring the performance of all selected assets.
- Voting proxies, if applicable.
- Recommending changes to any of the above.
- Periodically reviewing the suitability of the investments, being available to meet with the committee at least once each year, and being available at such other times within reason at your request.
- Preparing and presenting appropriate reports.
- Informing the committee if changes occur in personnel that are responsible for portfolio management or research.

Acknowledgement and Acceptance

I/We being the Plan Sponsor with responsibility for the account(s) held on behalf of the Plan Sponsor specified below, designate Investment Manager as having the investment discretion and management responsibility indicated in relation to all assets of the Plan or specified Account. If such designation is set forth in the Plan/trust, I/We hereby confirm such designation as Investment Manager.

I have read the Investment Guidelines Document, and confirm the accuracy of it, including the terms and conditions under which the assets in this account are to be held, managed, and disposed of by Investment Manager. This Investment Guidelines Document supersedes all previous versions of an Investment Guidelines Document or investment objective instructions that may have been executed for this account.


 _____ Date: 6/27/17
 Plan Sponsor: County of Nevada

_____ Date: _____
 Investment Manager: Andrew Brown, CFA, Senior Portfolio Manager, (415) 705-7605