PUEBLO COUNTY EMPLOYEES' RETIREMENT PLAN

STATEMENT OF INVESTMENT POLICY

January 2015

This Statement of Investment Policy approved by action of the Retirement Board of the Pueblo County Employees' Retirement Plan.

DATE: January 26, 2015 APPROVED BY:

Del Olivas

of Retirement shall make all necessary rules and regulations for managing and discharging its duties.

The Board of Retirement is responsible for establishing and maintaining this Statement, as well as managing, monitoring and evaluating the investments of the Fund on an ongoing basis. The Board of Retirement has retained an independent investment consulting firm to assist with the development, implementation and monitoring of the investment program.

The Board of Retirement will retain, with the assistance of the investment consultant, investment management firms to manage the assets of the investment program. Retained investment management firms will be responsible for managing their portion of the investments with full discretionary investment authority, subject to the Policies and Guidelines set forth in this and other documents. All retained investment management firms are expected to meet at least annually with the Board. Further, investment management will be responsible for notifying the Board of Retirement and the investment consultant of any significant organizational changes, such as key personnel, ownership, process or style.

Asset Allocation Strategy

The asset allocation strategy is designed to reflect, and be consistent with, the long-term investment objective expressed in this Statement. Various asset classes and investment manager styles are used to create a broadly diversified portfolio. Both the actuarial return assumption and the asset allocation strategy will change through time to reflect current investment objectives and market conditions. The Board has developed long-term asset allocation ranges based on several factors including: the long-term investment goals of the Plan; the Board's tolerance for short-term losses; the Plan's liquidity needs; and any legal or regulatory issues. Based on the Board's analyses, the allowable long-term asset allocation ranges are outlined below.

Asset Class	Minimum	Maximum
Equities	30%	70%
Fixed Income	10%	60%
Alternatives	10%	40%

<u>Rebalancing</u>

The portfolio should be rebalanced to maintain the desired risk/return posture. If a cash contribution is made or withdrawal is needed, the portfolio should be rebalanced toward the strategic target, as possible, given the dollar amount of the contribution or withdrawal. That is, contributions will be invested in underweight asset classes and withdraws will be taken from overweight asset classes. In addition, the portfolio will be provided, execution capability, commission rate, financial responsibility, and responsiveness to the manager.

Proxy Voting

Investment managers have a fiduciary obligation regarding proxy voting. The investment manager must consider proxies as an asset of the Plan and is expected to vote only in the best economic interest of the Plan.

Review Standards

Performance Benchmarks

Active investment managers are expected to outperform, on a net-of-fee basis, the designated passive index, and rank above median within a peer universe of active investment managers. Passive products are expected to produce returns that have minimal tracking error to their target index returns.

Time Horizon

Active investment managers are expected to outperform their designated benchmark over rolling three- and five-year periods. A three- to five-year period is used to allow investment managers the opportunity to meet their performance benchmarks, given shorter-term fluctuations due to style considerations. Investment managers who fail to meet the performance benchmarks outlined over these time periods may be terminated. Underperformance for two consecutive years may be cause for a formal review of the investment management firm's organization, process and performance.

Compliance with Policies and Guidelines

Each retained investment management firm's portfolio will be monitored for compliance with the Policies and Guidelines found in this and other documents. If a portfolio is determined to be out of compliance, the retained investment management firm will be contacted to develop a mutually agreed upon solution to bring the portfolio back into compliance with this Policy. If retained investment management fails to move the portfolio into compliance, termination of the retained investment management firm will be considered.

Other Standards

Any significant changes in investment philosophy and process, organizational structure, investment staff, or other non-performance reasons may be cause for termination, regardless of the status of their investment performance relative to their designated benchmarks.

The Board of Retirement retains the right to terminate an investment manager for any reason subject to the terms of the agreement between the two parties.