BAY COUNTY
VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

Investment Policy

I. PURPOSE OF INVESTMENT POLICY

The Bay County Voluntary Employees' Beneficiary Association Board of Trustees ("Board") was established for the purpose of providing, through Health Care Organizations, on a pre-funded basis, medical benefits for retired employees, their spouses and dependents of the County and its Component Units. To provide for such other life, sick, accident, vacation or other post-employment benefits as defined in Section 501(c)(9) of the Internal Revenue Code and permitted under Michigan Public Act 149 of 1999, as amended.

The VEBA Trust Agreement became effective 9/30/01 with the adoption , on 09/24/01, of Resolution 2001-242 by the Bay County Board of Commissioners.

The Board maintains that an important determinant of future investment returns is the expression and periodic review of the Bay County Voluntary Employees' Beneficiary Association ("VEBA" or "Plan") investment objectives. To that end, the Board has adopted this Investment Policy and directs that it apply to all assets under their control.

In fulfilling their fiduciary responsibility, the Board recognizes that the Plan is an essential vehicle for providing income benefits to retired participants or their beneficiaries. The Board also recognizes that the obligations of the Plan are long-term and that investment policy should be made with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return - defined as interest and dividend income plus realized and unrealized capital gains or losses - commensurate with the Prudent Investor Rule and any other applicable ordinances and statutes.

Reasonable consistency of return and protection of assets against the inroads of inflation are paramount. However, interest rate fluctuations and volatility of securities markets make it necessary to judge results within the context of several years rather than over short periods of five years or less.

The Board will employ investment professionals to oversee and invest the assets of the Plan. Within the parameters allowed in this document and their agreements with the Board, the investment management professionals shall have investment discretion over their mandates, including security selection, sector weightings and investment style.

The Board, in performing their investment duties, shall comply with the fiduciary standards set forth in Employee Retirement Income Security Act of 1974 (ERISA) at 29 U.S.C. s. 1104(a) (1) (A) – (C). In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in this section shall prevail.

II. TARGET ALLOCATIONS

In order to provide for a diversified portfolio, the Board has engaged investment professional(s) to manage and administer the fund. The Investment Managers are responsible for the assets and allocation of their mandate only and may be provided an addendum to this policy with their specific performance objectives and investment criteria. The Board has established the following asset allocation targets for the total fund:

Asset Class*	**Target**	**Range**	**Benchmark Index**
Domestic Equity	53%	48% - 58%	Russell 3000
Large Capitalization	33%	28% - 38%	Russell 1000
LC Value	*16.5%*	*14-19%*	*Russell 1000 Growth Index*
LC Growth	*16.5%*	*14-19%*	*Russell 1000 Value Index*
Small/Mid-Capitalization	20%	15% - 25%	Russell 2500
Broad Market Fixed Income	47%	42% - 52%	Barclays Aggregate
Cash**	0%	0% - 5%	90-Day T-Bills

** Benchmark will default to "broad market fixed income" if these portfolios are not funded. Targets and ranges above are based on market value of total Plan assets.

The Investment Consultant will monitor the aggregate asset allocation of the portfolio and notify the Board of Trustees to rebalance to the target asset allocations based on market conditions. If at the end of any calendar quarter, the allocation of an asset class falls outside of its allowable range, barring extenuating circumstances such as pending cash flows or allocation levels viewed as temporary, the asset allocation will be rebalanced into the allowable range. To the extent possible, contributions and withdrawals from the portfolio will be executed in a manner to maintain allocations within policy ranges while minimizing transaction costs. The Board does not intend to exercise short-term changes to the target allocation.

III. INVESTMENT PERFORMANCE OBJECTIVES

The following performance measures will be used as objective criteria for evaluating the effectiveness of the Investment Managers:

A. Total Portfolio Performance

The performance of the total portfolio will be measured for rolling three (3) and five (5) year periods. The performance of the total portfolio will be compared to the return of the policy indexes comprised of 33% Russell 1000 Index, 20% Russell 2500 Index and 47% Barclays Aggregate..

1. On a relative basis, it is expected that the total portfolio performance will rank above the median of the appropriate peer universe over three (3) and five (5) year time periods.

2. On an absolute basis, the investment goal of the investment portfolio is to achieve an annual investment return target of 7.3% over a 10 year time period or investment cycle.

B. Equity Performance

The combined equity portion of the portfolio, defined as domestic and international common stocks is expected to perform at a rate at least equal to 62% (33%/53%) of the Russell 1000 Index and 38% (20%/53%) of the Russell 2500 Index (Mid-Cap) as well as above the median of combined equity fund performance over three (3) and five (5) year time periods. Individual components of the equity portfolio will be compared to the specific benchmarks defined in each Investment Manager addendum. All portfolios are expected to rank above the median of the appropriate peer universe over three (3) and five (5) year time periods.

C. Fixed Income Performance

The overall objective of the fixed income portion of the portfolio is to add stability and liquidity to the total portfolio. The combined fixed income portion of the portfolio is expected to perform at a rate at least equal to the Barclays Capital U.S. Aggregate Bond Index as well as above the median of combined fixed income fund performance over three (3) and five (5) year time periods. All portfolios are expected to rank above the median of the appropriate peer universe over three (3) and five (5) year time periods.

IV. INVESTMENT GUIDELINES

A. Overall

All investment guidelines and restrictions of the State of Michigan are incorporated by reference, including, but not limited to:

a. Michigan Public Act 149 of 1999, as amended; and
b. Michigan Public Act 314 of 1965, as amended; and
c. Bay County Voluntary Employees' Beneficiary Association Trust Agreement.

B. Pooled Funds

Investments made by the Plan may include pooled funds. For purposes of this policy pooled funds may include, but are not limited to, mutual funds, commingled funds, exchange-traded funds, limited partnerships and limited liability corporations. Pooled funds may be governed by separate documents which may include investments not expressly permitted in this IPS. In the event of investment by the VEBA into a pooled fund, the VEBA will adopt the prospectus or governing policy of that fund.

C. Collective Investment Restrictions and Correcting Excess Investments

All investment managers and investment consultants are restricted individually, and collectively, by this IPS. The investment managers shall coordinate monthly with the investment consultant, who shall (among other things) assure collective compliance with this IPS. In the event any investment, based on changes in the market value of the VEBA assets, causes the VEBA to exceed any limitation prescribed in this IPS, the assets may be reallocated by the Board of Trustees in a prudent manner to comply with Michigan Public

Act 149 of 1999, as amended and Michigan Public Act 314 of 1965 and this Investment Policy.

D. Guidelines for Equity Investments

1. Not more than 70% of the VEBA's assets in global stock as defined as in §12(b)(4)(b) of PA 314 of 1965.

2. The VEBA shall not invest more than 5% of their total assets in any one corporation.

E. Guidelines for Fixed Income Investments and Cash Equivalent

Specific guidelines will be outlined for separate account managers in their addendums. For mutual funds and collective trusts guidelines will be outlined in their prospectus or offering document.

V. COMMUNICATIONS

A. On a monthly basis, the Custodian shall supply an accounting statement that will include a summary of all receipts and disbursements and the cost and the market value of all assets.

B. On a quarterly basis, the Investment Managers shall provide a written report affirming compliance with the security restrictions of Section IV (as well as any provisions outlined in the Investment Manager's addendum). In addition, the Investment Managers shall deliver a report each quarter detailing the Plan's performance, forecast of the market and economy, portfolio analysis and current assets of the Plan. Written reports shall be delivered to the Board within 30 days of the end of the quarter. A copy of the written report shall be submitted to the person designated by the County, and shall be available for public inspection. The Investment Managers will provide immediate written and telephone notice to the Board of any significant market related or non-market related event, specifically including, but not limited to, any deviation from the standards set forth in Section IV or their Investment Manager addendum.

C. If an Investment Manager owns investments that complied with section IV at the time of purchase, which subsequently exceed the applicable limit or do not satisfy the applicable investment standard, the Investment Manager shall reallocate assets in a prudent manner to comply with the prescribed limitations. In addition, an action plan outlining the investment 'hold or sell' strategy shall be provided to the Board immediately.

D. The Investment Consultant shall evaluate and report on a quarterly basis the rate of return and relative performance of the Plan on a gross and net of fee basis.

E. The Board will meet periodically to review the Investment Consultant's performance report. The Board will meet with the Investment Managers and appropriate outside consultants to discuss performance results, economic outlook, investment strategy and tactics and other pertinent matters affecting the Plan on a periodic basis as prescribed by its Due Diligence Policy.

F. At least annually, the Board shall provide the Investment Managers with projected disbursement needs of the Plan so that the investment portfolio can be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To this end the Investment Managers should, to the extent possible, attempt to match investment maturities or investment programs with known cash needs and anticipated cash-flow requirements.

VI. COMPLIANCE

A. It is the direction of the Board that the Plan assets are held by a third party Custodian, and that all securities purchased by, and all collateral obtained by the Plan shall be properly designated as Plan assets. No withdrawal of assets, in whole or in part, shall be made from safekeeping except by authorized signers of the Board.

B. At the direction of the Board, operations of the Plan shall be reviewed by independent certified public accountants as part of any financial audit periodically required. Compliance with the Board's internal controls shall be verified. These controls have been designed to prevent losses of assets that might arise from fraud, error, or misrepresentation by third parties or imprudent actions by the Board or employees of the Plan sponsor, to the extent possible.

C. The proxy votes must be exercised for the exclusive benefit of the participants of the Plan. Each Investment Manager shall provide the Board with a copy of their proxy voting policy for approval and shall vote all proxies associated with their portfolios. On a regular basis, at least annually, each manager shall report a record of their proxy vote. Additionally, any other proxy votes required for plan assets, such as commingled funds, collective trusts or mutual funds or other routine matters, shall be voted upon by the Finance Officer and/or the Board of Trustees. In the event there are non-routine matters or items that raise questions, those items shall be referred to the Investment Consultant for review and who shall recommend a vote to the Finance Officer.

VII. CRITERIA FOR INVESTMENT MANAGER REVIEW

The Board wishes to adopt standards by which judgments of the ongoing performance of an Investment Manager may be made. If, at any time, any three (3) of the following is breached, the Investment Manager may be warned of the Board's serious concern for the Plan's continued safety and performance and Manager may be considered "on watch". If any five (5) of these are violated the Investment Consultant may recommend an Investment Manager evaluation for that mandate.

- Four (4) consecutive quarters of relative under-performance versus the benchmark.
- Three (3) year trailing return below the median within the appropriate peer group and under performance versus the benchmark.
- Five (5) year trailing return below the median and under performance versus the benchmark.
- Three (3) year downside return greater than the index (greater than 100), as measured by down market capture ratio.

- Five (5) year downside return greater than the index (greater than 100), as measured by down market capture ratio.
- Style consistency or purity drift from the mandate.
- Management turnover in portfolio team or senior management.
- Investment process change, including varying the index or benchmark.
- Failure to adhere to the Investment Policy, Investment Manager Addendum or other compliance issues.
- Investigation of the firm by the Securities and Exchange Commission (SEC) or other regulatory agency.
- Significant asset flows into or out of the company or strategy.
- Merger or sale of firm.
- Fee increases outside of the competitive range.
- Servicing issues – key personnel stop servicing the account without proper notification.
- Failure to attain a 60% vote of confidence by the Board.

Nothing in this section shall limit or diminish the Board's right to terminate the Investment Manager at any time for any reason.

VIII. APPLICABLE COUNTY ORDINANCES

If at any time this document is found to be in conflict with the VEBA Trust Agreement or applicable Michigan Statutes, the Trust Agreement and Statutes shall prevail.

IX. REVIEW AND AMENDMENTS

It is the Board's intention to amend this statement to reflect any changes in philosophy, objectives, or guidelines. In this regard, the Investment Manager's interest in consistency in these matters is recognized and will be taken into account when changes are being considered. If, at any time, the Investment Manager feels that the specific objectives defined herein cannot be met, or the guidelines constrict performance, the Board should be notified in writing. Through this Investment Policy, the Investment Managers concur with the provisions of this document. By signing this document, the Chairman attests that this policy has been recommended by the Investment Consultant, reviewed by the Plan's legal counsel for compliance with applicable law, and approved by the Board.

BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

Steven G. Gray — 3/8/16

Chairman, Board of Trustees — Date