



AGENDA
November 2, 2023

OPEB TRUST REVIEW COMMITTEE

1:00 p.m.

311 Vernon Street, Roseville, CA 95678
Civic Center Meeting Rooms #1 & #2
www.roseville.ca.us

THE CITY OF ROSEVILLE WELCOMES YOUR PARTICIPATION

If an agenda item is open to public comment, such public comment shall be addressed to the chair/meeting administrator of the meeting.

Public Comment - Speakers have three minutes under Public Comment to speak on issues that are not listed on the agenda and are within the City's jurisdiction. The Brown Act does not permit any action or discussion on items not listed on the agenda.

Agenda Items - Speakers have five minutes, unless extended by the chair/meeting administrator, to address items that are listed on the agenda.

Americans with Disabilities Act - Notify the City Clerk or Secretary at least 72 hours in advance if special assistance is required to participate in a meeting including the need of auxiliary aids or services.

Audio/Visual Presentations - If making a presentation regarding an agenda item, audio/visual materials must be submitted to the City Clerk or Secretary at least 72 hours in advance.

Any person with a prohibited item will not be allowed entry. Prohibited items include, but are not limited to: firearms (even with valid CCW), knives, pepper spray/mace, explosives of any kind/ any weapons and/or dangerous devices of any kind, illegal drugs and alcohol.

Roseville City Clerk 311 Vernon Street, Roseville, CA 916-774-5200 TDD 916-774-5220

1. Call to Order

2. Roll Call

3. Public Comments

4. Approval of Minutes

4.1 Minutes of Prior Meeting

Review and approve the October 25, 2023, meeting minutes.

5. New Business/Requests/Presentations

5.1 Committee Structure Discussion

Consideration and discussion of rules and operation, if any, applicable to the OPEB Trust Review Committee.

Consideration and discussion of the structure and membership of the OPEB Trust Review Committee.

5.2 Investment Policy Statement

Consideration and discussion of the Investment Policy Statement applicable to the OPEB Trust Review Committee.

6. Committee/Staff Reports

7. Adjournment

OPEB Trust Review Committee

October 25, 2023
1:00-2:00 PM

311 Vernon Street, Roseville, CA 95678
Civic Center Meeting Rooms #1 & #2

1. Call to Order

Dennis Kauffman called the meeting to order at 1:00 p.m.

2. Roll Call

Committee/Other Present:

Lori Benitez, Retiree
Brian Boyd, Retiree
Terry Bradley, Management Assistant
Ellen Clark, PFM
Pam Durocher, Retiree
Kyle Horton, Accounting Supervisor
Kyle Jones, Roseville Fire Fighters Association
Dennis Kauffman, Assistant City Manager/Chief Financial Officer
Kathy Kitchell, Retiree
Jonathan Levy, Senior Deputy Attorney
Stacey Peterson, Human Resources Director
Scott Pettingell, Assistant Finance Director
Rick Rosenthal, PFM
Charley Souders, International Brotherhood of Electrical Workers Representative

3. Public Comment

There was no public comment.

4. Approval of Previous Minutes

4.1 Minutes of August 23, 2023, Meeting

Motion, then seconded, to approve the minutes of the August 23, 2023, meeting of the OPEB Trust Review Committee. The motion passed.

5. New Business/Requests/Presentations

5.1 2nd Quarter Portfolio Review

There was a presentation by Ellen Clark, PFM Asset Management, of the 2nd Quarter Portfolio Review, for information. Rick Rosenthal, PFM Asset Management, presented the changes in the market since June 30, 2023. The Committee discussed the report and PFM responded to questions.

6. Committee/Staff Reports

There were no staff reports.

7. Adjournment

Motion, then seconded, to adjourn the meeting at 1:58 p.m. The motion passed.

RESOLUTION NO. _____

THE CITY OF ROSEVILLE OPEB TRUST INVESTMENT REVIEW COMMITTEE

WHEREAS, the City of Roseville, a municipal corporation ("City"), established a trust fund ("Trust") in 2011 to diligently pre-fund for its retiree medical benefits, known as "Other Post-Employment Benefits" ("OPEB"), and this OPEB Trust was governed by the "Post-Employment Welfare Benefits Program Trust" document between the City, Union Bank, N.A., (succeeded, merged, or otherwise later assigned to U.S. Bank N.A.) and PFM Asset Management, LLC ("Trust Document"); and

WHEREAS, the City issued a Request for Proposals ("RFP") in 2023 for its OPEB Trust, and has or will soon select a trustee and an investment manager, but that selection of trustee and investment manager may change from time to time; and

WHEREAS, the City's OPEB Trust will be governed by the resultant agreement(s) awarded from the RFP or as modified by future agreement(s) and policies concerning the same; and

WHEREAS, the City Council, as settlor of the Trust, seeks to monitor the performance of the Trust and its administration and performance; and

WHEREAS, the City Council has or will adopt, revise, replace, and/or amend an Investment Policy for the investment of Trust assets from time to time; and

NOW, THEREFORE, BE IT RESOLVED by the City Council that it hereby authorizes the City Manager, or its designee, to carry on with an OPEB Trust Investment Review Committee ("Committee"), which shall be an informational non-decision-making non-legislative body, providing input to the Assistant City Manager/Chief Financial Officer and the City's senior management, and which shall be governed, including, but not limited to, as set forth below:

The Committee shall consist of eleven (10) members appointed by and at the discretion of the City Manager, or its designee. The Committee members will include one (1) member from each of the City of Roseville's employee labor bargaining groups (of which, there are five (5)), four (4) retirees, the City Human Resource Director, and the Assistant City Manager/Chief Financial Officer; and

The purpose of the Committee is to meet quarterly and at a minimum, annually, and provide comments to the City's senior management regarding the subjects listed below. The Committee's scope of duties is limited to the following:

- Review the investment allocation in relation to the guidelines in the Investment Policy Statement.
- Review the performance of the investment manager against benchmarks and the target rate of return in the Investment Policy Statement.
- Based on input, the Assistant City Manager/Chief Financial Officer, will prepare and present a written or oral report to the Council with its findings.

In addition to the above, the Committee or its designated members shall have the following general privileges, obligations, and duties:

- May attend City Council briefings on matters related to the OPEB Trust.
- Receive investment training as appropriate.
- Distribution of quarterly investment reports to Committee members.
- Distribution of the City's Annual Comprehensive Financial Report and OPEB Trust Annual Financial Report to Committee members.
- Review of proposed changes of the Investment Policy Statement prior to City Council action.
- The Committee members may voluntarily attend at their option any investment management presentation scheduled by the City.

BE IT FURTHER RESOLVED that nothing herein shall confer fiduciary duties or responsibilities upon the Committee's members individually, or as to the Committee as a whole. The Committee shall not provide investment advice, nor shall any investment action or decision require the Committee's or a member's approval. The Committee shall not concern itself with matters of benefits policy or benefits administration unless expressly requested by separate action of the City Council. The Committee members shall serve without additional compensation.

[BOILERPLATE RESOLUTION LANGUAGE TO BE ADDED ON COUNCIL ROLL CALL VOTE]

RESOLUTION NO. 11-40

~~ESTABLISHING~~ THE CITY OF ROSEVILLE OPEB TRUST INVESTMENT REVIEW COMMITTEE

WHEREAS, the City of Roseville, a municipal corporation ("City"), ~~will~~established a trust fund ("Trust") in 2012 to diligently pre-fund for its retiree medical benefits, known as "Other Post-Employment Benefits" ("OPEB"), and this OPEB Trust ~~is~~was governed by the "Post-Employment Welfare Benefits Program Trust" document between the City, Union Bank, N.A., (succeeded, merged, or otherwise later assigned to U.S. Bank N.A.) and PFM Asset Management, LLC ("Trust Document"); and

WHEREAS, the City issued a Request for Proposals ("RFP") in 2023 for its OPEB Trust, and has or will soon -selected U.S. Bank as the trustee and PFM Assess Management LLC as the investment manager, but that selection of trustee and investment manager may change from time to time; and

WHEREAS, the City's OPEB Trust will be governed by the resultant agreement(s) awarded from the RFP or as modified by future agreement(s) and policies concerning the same-
" agreement; and

~~WHEREAS, PFM Asset Management LLC has accepted fiduciary responsibility for investment of all assets transferred to the Trust; and~~

WHEREAS, the City Council, as settlor of the Trust, seeks to monitor the performance of ~~PFM Asset Management LLC~~the Trust and its administration and performance, as the fiduciary of the Trust; and

WHEREAS, the City Council has or will adopt, revise, replace, and/or amend an Investment Policy for the investment of Trust assets from time to time; and

NOW, THEREFORE, BE IT RESOLVED by the City Council that it hereby authorizes the City Manager, or its designee, to establish~~carry on with~~ an OPEB Trust Investment Review Committee ("~~Trust Review~~ Committee"), which shall be an informational non-decision-making non-legislative body, providing input to the Assistant City Manager/Chief Financial Officer and the City's senior management, and which shall be governed, including, but not limited to, as set forth below ~~("OPEB Trust Review Committee Charter")~~:

The ~~Trust Review~~ Committee shall consist of ~~nine~~eleven (11) members appointed by and at the discretion of the City Manager, or its designee. The ~~Trust Review~~ Committee members will include one (1) member from each of the City of Roseville's employee labor bargaining groups (of which, there are five (5)), one~~four (4)~~ retirees, ~~one investment professional,~~ the City Human Resource Director, and the ~~City Treasurer~~Assistant City Manager/Chief Financial Officer; and

The purpose of the ~~Trust Review~~ Committee is to meet quarterly and at a minimum, annually, and provide comments to ~~the City Council and~~ the City's senior management regarding the subjects listed below. The ~~Trust Review~~ Committee's scope of duties ~~to the Council~~ is limited to the

following:

- ~~Ensure~~ Review the investment allocation ~~is in relation to~~ within the guidelines in the Investment Policy Statement.
- Review the performance of the investment manager against benchmarks and the target rate of return in the Investment Policy Statement.
- Based on input, the Assistant City Manager/Chief Financial Officer, will ~~P~~prepare and present a written or oral report to the Council with its findings.

In addition to the above ~~duties~~, the ~~Trust Review~~ Committee or its designated members shall have the following general privileges, obligations, and duties:

- May attend City Council briefings on matters related to the OPEB Trust.
- _____ Receive investment training ~~in its initial meeting, and subsequent meetings~~ as appropriate.
- _____ Distribution of quarterly investment reports to ~~Trust Review~~ Committee members.
- _____ Distribution of the City's Annual Comprehensive ~~Annual~~ Financial Report and OPEB Trust Annual Financial Report to ~~Trust Review~~ Committee members.
- _____ Review of ~~any~~ proposed changes of the Investment Policy Statement prior to City Council action.
- ~~Meetings of the Trust Review Committee shall comply with the Ralph M. Brown Act (open meetings-law). A quorum of five members shall be required for a meeting.~~
- _____ The ~~Trust Review~~ Committee members may voluntarily attend at their option any investment management presentation scheduled by the City; ~~and~~

BE IT FURTHER RESOLVED that nothing herein shall confer fiduciary duties or responsibilities upon the ~~Trust Review~~ Committee's members individually, or as to the Committee as a whole. The ~~Trust Review~~ Committee shall not provide investment advice, nor shall any investment action or decision require the ~~Trust Review~~ Committee's or a member's approval. The ~~Trust Review~~ Committee shall not concern itself with matters of benefits policy or benefits administration unless expressly requested by separate action of the City Council. The ~~Trust Review~~ Committee members shall serve without additional compensation.

[BOILERPLATE RESOLUTION LANGUAGE TO BE ADDED ON COUNCIL ROLL CALL VOTE] ~~PASSED AND ADOPTED~~ by the Council of the City of Roseville this 19 January ~~_____~~ day of ~~_____~~ 2021 by the following vote on roll call:

~~AYES COUNCILMEMBERS: Alhard, Garcia, Herman, Rohan, Roccucci~~

~~NOES COUNCILMEMBERS: None~~

~~ABSENT COUNCILMEMBERS: _____~~

Pauline Roccucci
MAYOR

ATTEST: If _____ }

JLeruaJYt

City Clerk

INVESTMENT POLICY STATEMENT

FOR

CITY OF ROSEVILLE, CALIFORNIA

OTHER POST-EMPLOYMENT BENEFITS TRUST

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Preamble

The City of Roseville, California (the “City”), has established the City of Roseville Other Post-employment Benefits Trust (the “Trust”). The Trust is intended to provide for funding of non-pension post-employment benefits (“OPEB”) for employees who meet the age and service requirements outlined in the City’s plan documents. The City hereby adopts this Investment Policy Statement (“Policy Statement”) for the following purposes.

I. Purpose

The purpose of this Policy Statement is to achieve the following:

1. Document investment objectives, performance expectations and investment guidelines for Trust assets.
2. Establish an appropriate investment strategy for managing all Trust assets, including an investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Trust.
3. Establish investment guidelines to control overall risk and liquidity.
4. Establish periodic performance reporting requirements to report investment results and confirm that the investment policy is being followed.
5. Comply with fiduciary, prudence, due diligence and legal requirements for Trust assets.

II. Roles and Responsibilities

In addition to specific duties set forth throughout this Policy, the parties listed below have the following general responsibilities for overseeing the management of the Trust’s investments which include, but are not limited to, the following:

The City Council

The City Council may delegate to staff, but is ultimately responsible for:

- Hiring the Investment Advisor.
- Retaining other investment and legal counsel, as necessary.
- Establishing and maintain the Investment Policy Statement.
- Monitoring the Investment Advisor.
- Directing communications with participants concerning investment results.

The OPEB Trust Investment Review Committee (“Trust Review Committee”)

The Trust Review Committee is an informational non-decision-making body responsible for providing non-binding input to City staff for staff’s consideration in preparing written and/or oral reports to Council concerning investment allocation and guidelines and performance of the

Investment Advisor, but has—including as to its individual members, personally or otherwise—no fiduciary duty or any other liability.

The Investment Advisor

The Investment Advisor (“Advisor”) is responsible for assisting the City with the investment governance of the Trust and for making reasonable investment decisions compliant with this Investment Policy, the Investment Advisory Agreement, including the specific Investment Guidelines set forth therein, or as requested in writing by the Trust fiduciaries. The Advisor may select investment managers, mutual funds, or other common investment vehicles as provided for in this Policy. The Advisor may also select Investments with discretion to purchase, sell, or hold specific securities that will be used to meet the Trust’s investment objectives. Neither the Advisor nor any Manager shall ever take possession of any securities, cash or other assets of the Trust, all of which shall be held by the custodian. The Advisor must be registered with the Securities and Exchange Commission. The Investment Manager shall allocate Trust assets consistent with this Policy and the specific Investment Guidelines, and deliver reports as described in the “Control Procedures” section below.

The City has contracted with PFM Asset Management LLC to serve as the Investment Advisor for the Trust (“Advisor”), to oversee certain policies and procedures related to the operation and administration of the Trust. The Advisor will have authority to implement the investment policy and guidelines in the best interest of the Trust to best satisfy the purposes of the Trust.

In implementing this Policy Statement, the City delegates certain functions to:

1. A custodian to maintain possession of physical securities and records of street name securities owned by the Trust, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales, among other duties. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Trust.
2. A trustee, such as a bank trust department, if the Trust does not have its own individual Trustees, to assume fiduciary responsibility for the administration of Trust assets; provided, however, that if the City shall have appointed an investment advisor, then any trustee appointed under this paragraph shall have no authority with respect to selection of investments.
3. Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others to assist as appropriate in meeting responsibilities and obligations in administering Trust assets prudently.

III. Statement of Investment Objectives

The investment objectives of the Trust are as follows:

1. To invest assets of the Trust in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of Trust beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses from individual investments.
2. Liquidity. To provide for funding and anticipated withdrawals on a continuing basis for payment of benefits and reasonable expenses of operation of the Trust.
3. Growth. To conserve and enhance the value of Trust assets in real terms through asset appreciation and income generation, while maintaining a reasonable investment risk profile.
4. Low volatility. To minimize principal fluctuations over the Time Horizon (as defined below).
5. Performance. To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in this Policy Statement under the section labeled "Performance Expectations".

IV. Investment Guidelines

Within this section of the Policy Statement, several terms will be used to articulate various investment concepts. The descriptions are meant to be general and may share investments otherwise considered to be in the same asset class. They are:

"Growth Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on capital appreciation. Investments within the Growth Assets category can include income and risk mitigating characteristics, so long as the predominant investment risk and return characteristic is capital appreciation. Examples of such investments or asset classes are: publicly traded domestic and international equities or equity funds, , certain real estate investments, focused on equity risk mitigation or equity-like returns.

"Income Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on income generation. Investments within the Income Assets category can include capital appreciation and risk mitigating characteristics, so long as the primary investment risk and return characteristic is income generation. Examples of such investments or asset classes are: fixed income securities including inflation protected securities, guaranteed investment contracts, certain other investments focused on interest rate risk mitigation or income investment-like returns.

“Real Return Assets” -a collection of investments in asset classes whose primary risk and return characteristics are real return after inflation. Investments within the category can include publicly traded commodities, inflation protected securities and other assets expected to produce positive real returns after inflation.

"Alternative Assets" - a collection of private investments in asset classes whose primary risk and return characteristics are either capital appreciation, income generation, and/or real returns after inflation. Investments within the Alternative Assets category can include private equity, private debt and/or certain real estate investments and hedge funds.

A. Time Horizon

The Trust’s investment objectives are based on a 20-year or more investment horizon (“Time Horizon”). Interim fluctuations should be viewed with appropriate perspective. The City will adopt a long-term investment horizon such that the risks and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

B. Liquidity and Diversification

In general, the Trust will hold up to six months of cash, cash equivalent, and/or money market funds (collectively, “Liquidity Assets”) for near term Trust benefits and expenses (the “Trust Distributions”). The City’s expectation is that it will continue to pay benefits from operations, but reserves the right to change that procedure at any time with reasonable notice to the Advisor. All remaining assets will be invested in longer-term securities and shall be diversified with the intent to minimize the risk of long- term investment losses. Consequently, the total portfolio will be constructed and maintained to provide diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries.

C. Asset Allocation

The City and the Advisor believe that to achieve the greatest likelihood of meeting the Trust’s investment objectives and the best balance between risk and return for optimal diversification, assets will be invested in accordance with the targets for each asset class as follows to attempt to achieve a long-term average total annual rate of return that is equal to or greater than the Trust’s actuarial discount rate as described in the section titled “Performance Expectations”.

<u>Asset Classes</u>	<u>Asset Weightings</u>	
	<u>Range</u>	<u>Target</u>
Growth Assets		
Domestic Equity	14% - 54%	34%
International Equity	0% - 38%	18%
Other	0% - 15%	0%

Asset Classes

Asset Weightings

	<u>Range</u>	<u>Target</u>
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Income Assets

Fixed Income	13% - 53%	33%
Other	0% - 15%	0%

Real Return Assets

	0% - 15%	0%
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Alternative Assets

Private Equity	0% - 10%	5%
Private Debt	0% - 10%	5%
Private Real Assets	0% - 10%	5%
Hedge Funds/Diversifying	0% - 10%	0%

Cash Equivalents

	0% - 20%	0%
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D. Rebalancing Philosophy

The asset allocation range established by this Policy Statement represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside Policy Statement ranges. When these divergences occur, the Advisor will rebalance, and cause the Managers to rebalance, the assets within the specified ranges.

E. Risk Tolerance

The Trust will be managed in a style that seeks to minimize principal fluctuations over the established time horizon and that is consistent with the Trust's investment objectives.

F. Performance Expectations

Over the long-term, a rolling five-year period, the performance objective for the Trust will be to achieve an average total annual rate of return that is equal to or greater than the Trust's actuarial discount rate, which is expected to be 6.25%. Additionally, it is expected that the annual rate of return on Trust assets will be commensurate with the then-prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Trust Investments and blended benchmark comparisons for the Trust in its entirety.

V. Selection of Investment Managers

The Advisor shall prudently select appropriate Managers to invest the assets of the Trust. Managers must meet the following criteria:

1. The Manager must provide historical quarterly performance data compliant with Global

Investment Performance Standards (GIPS[®]), Securities & Exchange Commission (“SEC”), Financial Industry Regulatory Agency (“FINRA”) or industry recognized standards, as appropriate.

2. The Manager must provide detailed information on the history of the firm, key personnel, support personnel, key clients, and fee schedule (including most favored nation clauses). This information can be a copy of a recent Request for Proposal (“RFP”) completed by the Manager or regulatory disclosure.
3. The Manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
4. The investment professionals making the investment decisions must have a minimum of three (3) years of experience managing similar strategies either at their current firm or at previous firms.
5. Where other than common funds such as mutual funds or commingled trusts are utilized, the Manager must confirm receipt, understanding and adherence to this Policy Statement and any investment specific policies by signing a consent form provided to the Manager prior to investment of Trust assets.

VI. Guidelines for Portfolio Holdings

A. Direct Investments by Advisor

Every effort shall be made, to the extent practical, prudent and appropriate, to select Investments that have investment objectives and policies that are consistent with this Policy Statement (as outlined in following sub-sections of the “Guidelines for Portfolio Holdings”). However, given the nature of the Investments, it is recognized that there may be deviations between this Policy Statement and the objectives of these Investments.

B. Limitations on Managers’ Portfolios

EQUITIES

No more than 5% of the total equity portfolio valued at market may be invested in the common equity of any one corporation, ownership of the shares of one company shall not exceed 5% of those outstanding, and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard (GICS).

Domestic Equities. Other than the above constraints, there are no quantitative guidelines as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the Manager.

International Equities. The overall non-U.S. equity allocation should include a diverse global mix that is comprised of the equity of companies from multiple regions and sectors.

Other Growth. These assets have growth characteristics but are not invested in broadly diversified equities. Examples of Other Growth assets include, but are not limited to, some forms of publicly traded real estate (REIT) with growth characteristics, convertible bonds, or other publicly traded assets that exhibit growth characteristics.

FIXED INCOME

Fixed income securities of any one issuer shall not exceed 5% of a total bond portfolio at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets shall be investment grade, based on the rating of one of the SEC's Nationally Recognized Statistical Rating Organizations ("NRSROs").

Other Income. These assets have income characteristics but are not invested in broadly diversified fixed income. Examples of Other Income assets include, but are not limited to, some forms of publicly traded real estate (REIT) with income characteristics, preferred equities, or other publicly traded assets that exhibit income characteristics.

REAL RETURN ASSETS

Real Return Assets typically consist of commodities funds, Treasury Inflation Protected Securities (TIPS), and other assets expected to produce positive real returns after inflation.

ALTERNATIVES ASSETS

Alternatives may consist of non-traditional asset classes such as private equity, private debt, real estate and hedge funds, when deemed appropriate. The total allocation to this category may not exceed 25% of the overall portfolio.

Hedge Funds/Diversifying (collectively, "Hedge Funds"): Hedge funds are typically less liquid than publicly traded funds and are expected to provide volatility and /o risk dampening effects on the portfolio. Examples of risk that may be hedged include but are not limited to volatility risk, interest rate risk and market tail risk. Hedge Funds may include investments in a wide variety of commingled/partnership and direct investment including but not limited to exchange traded funds ("ETFs"), equity securities, debt securities, and/or derivative contracts of various types. Hedge Funds may not produce returns in excess of publicly traded equity securities or debt securities, but are expected to reduce overall portfolio risk.

Private Equity: Private equity is less liquid than publicly traded equity securities and can provide returns that are greater than what is available in publicly traded markets. The private equity portfolio may include investments in a variety of commingled/partnership and direct investment vehicles including, but not limited to, venture capital, buyout, turnaround, mezzanine, distressed security, and special situation funds. The private equity portfolio is recognized to be long-term in nature and highly illiquid. Due to their higher risk, private equity investments are expected to provide substantially higher returns than publicly traded equity securities.

Private Debt: Private debt is less liquid than publicly traded debt and can provide returns that are greater than what is available in publicly traded markets. The private debt portfolio may include investments in a variety of commingled/partnership and direct investment vehicles including, but not limited to, direct lending, distressed debt, multi-asset credit, structured credit, mezzanine debt, real estate debt, and special situations. Due to their higher risk, private debt investments are expected to provide higher long-term returns than publicly traded debt securities.

Private Real Assets: Real assets are typically physical assets that have intrinsic worth due to their substance and properties. Real assets are primarily used for their lower correlation to traditional assets (i.e. stocks and bonds) and their inflation hedging properties. Categories of real asset investments include, but are not limited to, real estate, infrastructure, land, farmland, timberland, precious metals, and commodities. Real assets include securities and assets with varying levels of liquidity. Private real assets are illiquid and long-term in nature whereas public real assets are publicly traded and more liquid. The benefit of lower correlation investments is that, when implemented correctly, these investments can potentially improve a portfolio's expected risk-adjusted return over the long-term. The real assets category can be extended to include other forms of assets that offer similar inflation hedging properties such as pooled vehicles holding commodities contracts, index-linked derivative contracts, certain forms of intellectual property.

C. Cash Equivalents

Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940.

D. Portfolio Risk Hedging

Portfolio investments designed to hedge various risks including volatility risk, interest rate risk, etc. are allowed to the extent that the Investments do not create direct portfolio leverage. One example of a hedge vehicle is an exchange traded fund ("ETF") which takes short positions.

E. Prohibited Investments

Except for purchase within authorized Investments, securities having the following characteristics, are not authorized and shall not be purchased: letter stock and other unregistered securities, commodities or commodity contracts where the Trust is a counterparty, short sales, margin transactions, private placements (with the exception of Rule 144A securities). Further, derivatives, options, futures, or any other investment for the sole purpose of direct portfolio leveraging are prohibited. Direct ownership of real estate, natural resource properties such as oil, gas or timber and the purchase of collectibles is also prohibited.

F. Safekeeping

All assets of the Trust shall be held by a custodian approved by the City and in consultation with the Advisor for safekeeping of Trust assets. The custodian shall produce statements on a monthly basis, listing the name and value of all assets held, and the dates and nature of all transactions in

accordance with the terms in the Trust Agreement. Investments of the Trust not held as Liquidity Assets or Investment Assets shall, at all times, be invested in interest-bearing accounts. Investments and portfolio securities may not be loaned.

VII. Control Procedures

A. Review of Investment Objectives

The Advisor shall review annually and report to City staff and the Trust Review Committee the appropriateness of this Policy Statement for achieving the Trust's stated objectives. It is not expected that this Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in this Policy Statement.

B. Review of Investment Performance

The Advisor shall report on a quarterly basis to City staff and the Trust Review Committee to review the investment performance of the Trust. In addition, the Advisor will be responsible for keeping City staff and the Trust Review Committee apprised of any material change in investment strategy, Managers, and other pertinent information potentially affecting performance of the Trust.

The Advisor shall compare the investment results on a quarterly basis to appropriate peer universe benchmarks, as well as market indices in both equity and fixed income markets. Examples of benchmarks and indexes that will be used include the Russell 3000 Index for broad U.S. equity strategies, S&P 500 Index for large cap U.S. equities, Russell 2000 Index for small cap U.S. equities, MSCI ACWI ex.-U.S. for broad based non-U.S. equity strategies, Europe, Australasia, and Far East (EAFE) Index for developed markets international equities, Barclays Capital Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-bill for cash equivalents. The category "Other" will be benchmarked against appropriate indices depending on the specific characteristics of the strategies and funds used.

The benchmark for the plan will be a blend of the Russell 3000 Index, the MSCI AWCI ex US Index and the Barclays Aggregate Index based upon the target asset allocation of the Trust.

C. Voting of Proxies

The Advisor will vote the shares of the Investments, and Managers will vote securities in the respective portfolio managed by such Managers, consistently with its proxy policy, and in the best interest of the Trust.

INVESTMENT POLICY STATEMENT

FOR

CITY OF ROSEVILLE, CALIFORNIA

OTHER POST-EMPLOYMENT BENEFITS TRUST

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Preamble

The City of Roseville, California (the “City”), has established the City of Roseville Other Post-employment Benefits Trust (the “Trust”). The Trust is intended to provide for funding of non-pension post-employment benefits (“OPEB”) for employees who meet the age and service requirements outlined in the City’s plan documents. The City hereby adopts this Investment Policy Statement (“Policy Statement”) for the following purposes.

I. Purpose

The purpose of this Policy Statement is to achieve the following:

1. Document investment objectives, performance expectations and investment guidelines for Trust assets.
2. Establish an appropriate investment strategy for managing all Trust assets, including an investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Trust.
3. Establish investment guidelines to control overall risk and liquidity.
4. Establish periodic performance reporting requirements to report investment results and confirm that the investment policy is being followed.
5. Comply with ~~all~~ fiduciary, prudence, due diligence and legal requirements for Trust assets.

II. Roles and Responsibilities

In addition to specific duties set forth throughout this Policy, the parties listed below have the following general responsibilities for overseeing the management of the Trust’s investments which include, but are not limited to, the following:

The City Council

The City Council may delegate to staff, but is ultimately responsible for:

- Hiring the Investment Advisor.
- Retaining other investment and legal counsel, as necessary.
- Establishing and maintain the Investment Policy Statement.
- Monitoring the Investment Advisor.
- Directing communications with participants concerning investment results.

The OPEB Trust Investment Review Committee (“Trust Review Committee”)

The Trust Review Committee is [an informational non-decision-making body](#) responsible for [providing non-binding input to City staff for staff’s consideration in preparing written and/or oral](#)

reports to Council concerning investment allocation and guidelines and performance of ~~monitoring~~ the Investment Advisor, ~~as set forth in the Charter establishing the Trust Review Committee in City Council Resolution No. 11-40~~ but has—including as to its individual members, personally or otherwise—no fiduciary duty or any other liability.

The Investment Advisor

The Investment Advisor (“Advisor”) is responsible for assisting the ~~Trust Review Committee~~ City with the investment governance of the Trust and for making reasonable investment decisions compliant with this Investment Policy, the Investment Advisory Agreement, including the specific Investment Guidelines set forth therein, or as requested in writing by the Trust fiduciaries. The Advisor may select investment managers, mutual funds, or other common investment vehicles as provided for in this Policy. The Advisor may also select Investments with discretion to purchase, sell, or hold specific securities that will be used to meet the Trust’s investment objectives. Neither the Advisor nor any Manager shall ever take possession of any securities, cash or other assets of the Trust, all of which shall be held by the custodian. The Advisor must be registered with the Securities and Exchange Commission. The Investment Manager shall allocate Trust assets consistent with this Policy and the specific Investment Guidelines, and deliver reports as described in the “Control Procedures” section below.

The City has contracted with PFM Asset Management LLC to serve as the Investment Advisor for the Trust- (“Advisor”), to ~~oversee~~ certain policies and procedures related to the operation and administration of the Trust. The Advisor will have authority to implement the investment policy and guidelines in the best interest of the Trust to best satisfy the purposes of the Trust.

In implementing this Policy Statement, the City delegates certain functions to:

1. A custodian to maintain possession of physical securities and records of street name securities owned by the Trust, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales, among other duties. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Trust.
2. A trustee, such as a bank trust department, if the Trust does not have its own individual Trustees, to assume fiduciary responsibility for the administration of Trust assets; provided, however, that if the ~~Trust Review Committee~~ City shall have appointed an investment advisor, then any trustee appointed under this paragraph shall have no authority with respect to selection of investments.
3. Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others to assist as appropriate ~~the Trust Review Committee~~ in meeting ~~its~~ responsibilities and obligations ~~to~~ in administering Trust assets prudently.

III. Statement of Investment Objectives

The investment objectives of the Trust are as follows:

1. To invest assets of the Trust in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of Trust beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses from individual investments.
2. Liquidity. To provide for funding and anticipated withdrawals on a continuing basis for payment of benefits and reasonable expenses of operation of the Trust.
3. Growth. To conserve and enhance the value of Trust assets in real terms through asset appreciation and income generation, while maintaining a reasonable investment risk profile.
4. Low volatility. To minimize principal fluctuations over the Time Horizon (as defined below).
5. Performance. To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in this Policy Statement under the section labeled "Performance Expectations".

IV. Investment Guidelines

Within this section of the Policy Statement, several terms will be used to articulate various investment concepts. The descriptions are meant to be general and may share investments otherwise considered to be in the same asset class. They are:

"Growth Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on capital appreciation. Investments within the Growth Assets category can include income and risk mitigating characteristics, so long as the predominant investment risk and return characteristic is capital appreciation. Examples of such investments or asset classes are: publicly traded domestic and international equities or equity funds, ~~private or leveraged equity~~, certain real estate investments, ~~and hedge funds~~ focused on equity risk mitigation or equity-like returns.

"Income Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on income generation. Investments within the Income Assets category can include capital appreciation and risk mitigating characteristics, so long as the primary investment risk and return characteristic is income generation. Examples of such investments or asset classes are: fixed income securities including inflation protected securities, guaranteed investment contracts, ~~private debt, certain real estate investments, and hedge funds~~ certain other investments focused on interest rate risk mitigation or income investment-like returns.

“Real Return Assets” -a collection of investments in asset classes whose primary risk and return characteristics are real return after inflation. Investments within the category can include publicly traded commodities, inflation protected securities and other assets expected to produce positive real returns after inflation.

"~~Alternative~~~~Real Return~~ Assets" - a collection of private investments ~~and/or in~~ asset classes whose primary risk and return characteristics are either capital appreciation, income generation, and/or ~~focused on~~ real returns after inflation. Investments within the Alternative Assets~~Real Return~~ category can include private equity, private debt and/or ~~inflation protected securities, commodities,~~ certain real estate investments and hedge funds.

A. Time Horizon

The Trust’s investment objectives are based on a 20-year or more investment horizon (“Time Horizon”). Interim fluctuations should be viewed with appropriate perspective. The ~~Trust Review Committee~~City will adopt a long-term investment horizon such that the risks and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

B. Liquidity and Diversification

In general, the Trust will hold up to six months of cash, cash equivalent, and/or money market funds (collectively, “Liquidity Assets”) for near term Trust benefits and expenses (the “Trust Distributions”). The City’s expectation is that it will continue to pay benefits from operations, but reserves the right to change that procedure at any time with reasonable notice to the Advisor. All remaining assets will be invested in longer-term securities and shall be diversified with the intent to minimize the risk of long- term investment losses. Consequently, the total portfolio will be constructed and maintained to provide diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries.

C. Asset Allocation

The ~~Trust Review Committee~~City and the Advisor believe that to achieve the greatest likelihood of meeting the Trust’s investment objectives and the best balance between risk and return for optimal diversification, assets will be invested in accordance with the targets for each asset class as follows to attempt to achieve a long-term average total annual rate of return that is equal to or greater than the Trust’s actuarial discount rate as described in the section titled “Performance Expectations”.

Asset Classes

Asset Weightings
Range **Target**

Growth Assets

Domestic Equity	149% - 549%	349%
International Equity	01% - 3841%	1821%
Other	0% - 15%	0%

<u>Asset Classes</u>	<u>Asset Weightings</u>	
	<u>Range</u>	<u>Target</u>
Income Assets		
Fixed Income	13 20% - 53 60%	33 40%
Other	0% - 15%	0%
<u>Real Return Assets</u>	<u>0% - 15%</u>	<u>0%</u>
<u>Alternative Assets</u> <u>Real Return Assets</u>	0% - 15%	0%
<u>Private Equity</u>	<u>0% - 10%</u>	<u>5%</u>
<u>Private Debt</u>	<u>0% - 10%</u>	<u>5%</u>
<u>Private Real Assets</u>	<u>0% - 10%</u>	<u>5%</u>
<u>Hedge Funds/Diversifying</u>	<u>0% - 10%</u>	<u>0%</u>
Cash Equivalents	0% - 20%	0%

D. Rebalancing Philosophy

The asset allocation range established by this Policy Statement represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside Policy Statement ranges. When these divergences occur, the Advisor will rebalance, and cause the Managers to rebalance, the assets within the specified ranges.

E. Risk Tolerance

The Trust will be managed in a style that seeks to minimize principal fluctuations over the established time horizon and that is consistent with the Trust's investment objectives.

F. Performance Expectations

Over the long-term, a rolling five-year period, the performance objective for the Trust will be to achieve an average total annual rate of return that is equal to or greater than the Trust's actuarial discount rate, which is expected to be 6.25%. Additionally, it is expected that the annual rate of return on Trust assets will be commensurate with the then-prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Trust Investments and blended benchmark comparisons for the Trust in its entirety.

V. Selection of Investment Managers

The Advisor shall prudently select appropriate Managers to invest the assets of the Trust. Managers must meet the following criteria:

1. The Manager must provide historical quarterly performance data compliant with Global Investment Performance Standards (GIPS[®]), Securities & Exchange Commission (“SEC”), Financial Industry Regulatory Agency (“FINRA”) or industry recognized standards, as appropriate.
2. The Manager must provide detailed information on the history of the firm, key personnel, support personnel, key clients, and fee schedule (including most favored nation clauses). This information can be a copy of a recent Request for Proposal (“RFP”) completed by the Manager or regulatory disclosure.
3. The Manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
4. The investment professionals making the investment decisions must have a minimum of three (3) years of experience managing similar strategies either at their current firm or at previous firms.
5. Where other than common funds such as mutual funds or commingled trusts are utilized, the ~~The~~ Manager must confirm receipt, understanding and adherence to this Policy Statement and any investment specific policies by signing a consent form provided to the Manager prior to investment of Trust assets.

VI. Guidelines for Portfolio Holdings

A. Direct Investments by Advisor

Every effort shall be made, to the extent practical, prudent and appropriate, to select Investments that have investment objectives and policies that are consistent with this Policy Statement (as outlined in following sub-sections of the “Guidelines for Portfolio Holdings”). However, given the nature of the Investments, it is recognized that there may be deviations between this Policy Statement and the objectives of these Investments.

B. Limitations on Managers’ Portfolios

EQUITIES

No more than 5% of the total equity portfolio valued at market may be invested in the common equity of any one corporation, ownership of the shares of one company shall not exceed 5% of those outstanding, and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard (GICS).

Domestic Equities. Other than the above constraints, there are no quantitative guidelines as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the Manager.

International Equities. The overall non-U.S. equity allocation should include a diverse global mix that is comprised of the equity of companies from multiple regions and sectors.

Other Growth. These assets have growth characteristics but are not invested in broadly diversified equities. Examples of Other Growth assets include, but are not limited to, some forms of publicly traded real estate (REIT) with growth characteristics, convertible bonds, or other publicly traded assets that exhibit growth characteristics.

FIXED INCOME

Fixed income securities of any one issuer shall not exceed 5% of a total bond portfolio at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets shall be investment grade, based on the rating of one of the SEC's Nationally Recognized Statistical Rating Organizations ("NRSROs").

Other Income. These assets have income characteristics but are not invested in broadly diversified fixed income. Examples of Other Income assets include, but are not limited to, some forms of publicly traded real estate (REIT) with income characteristics, preferred equities, or other publicly traded assets that exhibit income characteristics.

REAL RETURN ASSETS

Real Return Assets typically consist of commodities funds, Treasury Inflation Protected Securities (TIPS), and other assets expected to produce positive real returns after inflation.

~~OTHER ASSETS (ALTERNATIVES)~~ ASSETS

Alternatives may consist of non-traditional asset classes such as ~~hedge funds~~, private equity, private debt, real estate and hedge funds~~commodities~~, when deemed appropriate. The total allocation to this category may not exceed ~~45~~25% of the overall portfolio.

Hedge Funds/Diversifying (collectively e.g., "Hedge Funds" & Liquid Alternatives): Hedge funds are typically less liquid than publicly traded funds and are expected to provide volatility and /o risk dampening effects on the portfolio. Examples of risk that may be hedged include but are not limited to volatility risk, interest rate risk and market tail risk. Hedge Funds may include investments in a wide variety of commingled/partnership and direct investment including but not limited to exchange traded funds ("ETFs"), equity securities, debt securities, and/or derivative contracts of various types. Hedge Funds may not produce returns in excess of publicly traded equity securities or debt securities, but are expected to reduce overall portfolio risk. ~~Primary objective shall be to enhance the return-risk profile of the overall portfolio. This can be accomplished by using a combination of hedge fund strategies that enhance returns at a reasonable level of risk or reduce volatility while providing a reasonable level of return. These asset classes may differ from traditional public market asset classes due to the use of certain strategies including short-selling, leverage, and derivatives. Hedge funds may also invest across asset classes. The use~~

~~of direct hedge funds and fund-of-hedge funds are allowed. For purposes of asset allocation targets and limitations, single strategy hedge funds and liquid alternatives funds will be categorized under the specific asset class of the fund. For example, a long/short U.S. equity fund will be categorized as “Other” in the Growth Assets category while a long/short credit fund will be categorized as “Other” in the Income Assets category. Multi-strategy hedge funds and multi-strategy liquid alternatives funds that cannot be easily categorized under one asset class will be included in “Other” under either the Growth Assets or Income Assets category depending on the risk-return profile of the strategy.~~

Private Equity: Private equity is less liquid than publicly traded equity securities and can provide returns that are greater than what is available in publicly traded markets. The private equity portfolio may include investments in a variety of commingled/partnership and direct investment vehicles including, but not limited to, venture capital, buyout, turnaround, mezzanine, distressed security, and special situation funds. The private equity portfolio is recognized to be long-term in nature and highly illiquid. Due to their higher risk, private equity investments are expected to provide substantially higher returns than publicly traded equity securities. ~~For purposes of asset allocation targets and limitations, these funds will be categorized as “Other” under the Growth Assets category.~~

Private Debt: Private debt is less liquid than publicly traded debt and can provide returns that are greater than what is available in publicly traded markets. The private debt portfolio may include investments in a variety of commingled/partnership and direct investment vehicles including, but not limited to, direct lending, distressed debt, multi-asset credit, structured credit, mezzanine debt, real estate debt, and special situations. Due to their higher risk, private debt investments are expected to provide higher long-term returns than publicly traded debt securities. ~~For purposes of asset allocation targets and limitations, these funds will be categorized as “Other” under the Income Assets category.~~

Private Real Assets: Real assets are typically physical assets that have intrinsic worth due to their substance and properties. Real assets are primarily used for their lower correlation to traditional assets (i.e. stocks and bonds) and their inflation hedging properties. Categories of real asset investments include, but are not limited to, real estate, infrastructure, land, farmland, timberland, precious metals, and commodities. Real assets include securities and assets with varying levels of liquidity. ~~Private Real assets estate consists of publicly traded, liquid, REIT securities and/or non-publicly traded, are illiquid and long-term in nature whereas public real assets are publicly traded and more liquid., private real estate and shall be diversified across a broad array of property types and geographic locations. Real estate is designed to provide a stable level of income combined with potential for price appreciation, particularly in periods of unexpected inflation.~~ The benefit of lower correlation investments is that, when implemented correctly, these investments can potentially improve a portfolio’s expected risk-adjusted return over the long-term. The real assets category can be extended to include other forms of assets that offer similar inflation hedging properties such as pooled vehicles holding commodities contracts, ~~Treasury Inflation Protected Securities (“TIPS”), index-linked derivative contracts, certain forms of intellectual property, and the equity of companies in businesses thought to hedge inflation. For purposes of asset allocation~~

~~targets and limitations, real assets may be categorized as “Other” under either the Growth Assets or Income Assets category or in the Real Return Assets category, depending on the nature and risk/return profile of the investment.~~

C. Cash Equivalents

Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940.

D. Portfolio Risk Hedging

Portfolio investments designed to hedge various risks including volatility risk, interest rate risk, etc. are allowed to the extent that the Investments do not create direct portfolio leverage. One example of a hedge vehicle is an exchange traded fund (“ETF”) which takes short positions.

E. Prohibited Investments

Except for purchase within authorized Investments, securities having the following characteristics, are not authorized and shall not be purchased: letter stock and other unregistered securities, commodities or commodity contracts where the Trust is a counterparty, short sales, margin transactions, private placements (with the exception of Rule 144A securities). Further, derivatives, options, futures, or any other investment for the sole purpose of direct portfolio leveraging are prohibited. Direct ownership of real estate, natural resource properties such as oil, gas or timber and the purchase of collectibles is also prohibited.

F. Safekeeping

All assets of the Trust shall be held by a custodian approved by the ~~Trust Review Committee~~ [City](#) and in consultation with the Advisor for safekeeping of Trust assets. The custodian shall produce statements on a monthly basis, listing the name and value of all assets held, and the dates and nature of all transactions in accordance with the terms in the Trust Agreement. Investments of the Trust not held as Liquidity Assets or Investment Assets shall, at all times, be invested in interest-bearing accounts. Investments and portfolio securities may not be loaned.

VII. Control Procedures

A. Review of Investment Objectives

The Advisor shall review annually and report to [City staff and](#) the Trust Review Committee the appropriateness of this Policy Statement for achieving the Trust's stated objectives. It is not expected that this Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in this Policy Statement.

B. Review of Investment Performance

The Advisor shall report on a quarterly basis to [City staff and](#) the Trust Review Committee to review the investment performance of the Trust. In addition, the Advisor will be responsible for keeping [City staff and](#) the Trust Review Committee ~~advised~~-[apprised](#) of any material change in investment strategy, Managers, and other pertinent information potentially affecting performance of the Trust.

The Advisor shall compare the investment results on a quarterly basis to appropriate peer universe benchmarks, as well as market indices in both equity and fixed income markets. Examples of benchmarks and indexes that will be used include the Russell 3000 Index for broad U.S. equity strategies, S&P 500 Index for large cap U.S. equities, Russell 2000 Index for small cap U.S. equities, MSCI ACWI ex.-U.S. for broad based non-U.S. equity strategies, Europe, Australasia, and Far East (EAFE) Index for developed markets international equities, Barclays Capital Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-bill for cash equivalents. The category "Other" will be benchmarked against appropriate indices depending on the specific characteristics of the strategies and funds used.

The benchmark for the plan will be a blend of the Russell 3000 Index, the MSCI AWCI ex US Index and the Barclays Aggregate Index based upon the target asset allocation of the Trust.

C. Voting of Proxies

The Advisor will vote the shares of the Investments, and Managers will vote securities in the respective portfolio managed by such Managers, consistently with its proxy policy, and in the best interest of the Trust.