

CITY OF SACRAMENTO

DEFINED CONTRIBUTION PLANS COMMITTEE

COMMITTEE BYLAWS

Committee Mission Statement

It is the mission of the Committee to fulfill its responsibilities with respect to the Plans solely in the interest of the participants and beneficiaries. The Committee members are to perform their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Article One: Purpose

These Bylaws, as approved by City Council Resolution No. 2018-0304, set forth the rights, powers, responsibilities, and obligations of the Defined Contribution Plans Committee (the "Committee") for the City of Sacramento's 457 Deferred Compensation Plan, 401 (a) Defined Contribution Plans, and Health Reimbursement Accounts ("HRA").

Article Two: Roles and Responsibilities

The Committee has been delegated the responsibilities outlined below consistent with, and in accordance with, the terms as outlined in the respective Plan Documents.

The responsibilities of the Committee shall be:

- Develop an Investment Policy Statement for the Plans, and recommend approval of that statement by the City Council;
- Annual review of the Investment Policy Statement for the Plans, including an assessment of the available asset classes;
- Annual review of the Fee and Expense Policy Statement for the Plans;
- Annual review of Summary Plan Descriptions;
- Selection of investments options, monitoring of the performance of investments options; and termination, replacement and addition of investment options offered under the Plans;
- Evaluation and voting of prescribed investment option proxies as required;
- Evaluation, recommendation, and monitoring of third parties that provide services to the Plans;
- Review of potential amendments to the Plans, and make recommendations to the City Council;
- Ensure the service provider(s) to the Plans are providing appropriate education and

- other services to plan participants;
- Stay apprised of industry standards and best practices to discharge their functions as Committee members; and
- Maintain all necessary records for the administration of the Plans.

Article Three: Membership

The Committee will be comprised of representatives from each of the following groups:

1. City Manager or his/her designee;
2. City Treasurer or his/her designee;
3. Director of Human Resources or his/her designee;
4. Representative on behalf of Exempt employees;
5. Representative on behalf of non-Exempt employees;
6. Representative on behalf of Public Safety employees;
7. Representative on behalf of City Retirees who is a current member of the Sacramento Retired City Employees Association (SRCEA).

Each group shall select one person to serve as Primary member and one person to serve as Alternate member. Each group shall determine how long each representative shall serve and how often each representative shall be replaced, except as described in these Bylaws.

A Primary member is expected to attend all meetings and is afforded one vote. An Alternate member may attend and participate in all meetings, but an Alternate member may not vote when the Primary member is present. An Alternate member may not attend a closed session when the Primary member is present. Alternate members shall have all the rights and obligations of Primary members and shall receive and review the same materials that the Primary members receive and review.

The Primary member, or the Alternate member if the Primary member is not in attendance, may attend Committee meetings during their regular work hours without using leave balances.

The officers shall include a Chairperson and Vice-Chairperson elected from among Primary members during the first scheduled meeting of the calendar year.

The Chairperson shall:

1. Preside at the Committee meeting;
2. Preserve order and decorum in the meeting;
3. Observe and enforce all rules adopted by the Committee; and
4. Sign all documents adopted by the Committee and such other documents whose execution requires a signature on behalf of the Committee.

The Vice-Chairperson shall serve as the interim Chairperson in the absence of the Chairperson.

The Director of Human Resources will provide a City employee who shall keep and distribute the Plan's records and Committee meeting minutes.

Subcommittees: The Committee may form subcommittees and/or advisory committees to review and research particular matters and make recommendations to the Committee for decision.

Article Four: Meetings and Committee Actions

Meetings: The Committee shall have regular meetings quarterly, and/or as called by the Chairperson. Any scheduled meeting may be cancelled or rescheduled.

- a. The Committee may invite various service providers, staff members, consultants, or guests as desired.
- b. All meetings and Committee action shall be called, noticed, held, conducted, and documented in accordance with the provisions of the Ralph M. Brown Act (Government Code Section 54950 et seq.). All Primary and Alternate members shall participate in Brown Act training provided by the City.
- c. Any Committee member wishing to place an item on the agenda for a meeting must submit the item to the Chairperson at least five (5) calendar days prior to the publication of the agenda.
- d. The agenda of each regular meeting will be posted in accordance with City policy.
- e. The Order of Business shall be at the discretion of the Chairperson, but will include calling the meeting to order, approval of meeting minutes, consideration of Agenda items, and meeting adjournment.
- f. A majority of the Committee members or their designated Alternate shall constitute a quorum. An affirmative vote by a simple majority of the members who are present is required to approve a resolution or a motion. A tie vote will fail to carry a resolution or a motion.
- g. Minutes of each meeting shall be taken, and a draft copy of the minutes shall be distributed to members of the Committee by the Director of Human Resources or his/her designee within ten (10) calendar days after the date of each meeting. Meeting minutes shall be retained in accordance with the City's Records Retention policy.
- h. The limit for public comments will be one (1) minute per individual, unless the Chairperson elects to extend or shorten the time for any meeting.

Attendance Requirements: Primary members are expected to attend all Committee meetings. If a Primary member misses three consecutive Committee meetings, that member's attendance will be reviewed, and the Committee may petition the individual, group or groups responsible for selection of that member for a replacement.

Member Misconduct: A Committee member may be removed from the Committee upon a vote of five (5) members of the Committee at a regularly noticed meeting at which such removal is shown on the agenda if the member's conduct is determined to be detrimental to the mission of the Committee and/or the Plans.

Allocation and Delegation of Responsibility: The Committee may review and research particular matters and make recommendations to the Committee for decision.

Relationship to Other Entities: The Committee shall keep the City Council apprised of Committee activities with respect to the Plans; make recommendations to the City Council regarding amendments to the Plans; make recommendations to the City Council regarding suggested changes to the trustee for a Plan; and advise and counsel the appropriate City Departments on policy issues related to the Plans.

Article Five: Expenditures and Expenses

Members will serve without compensation. The Committee must recommend approval for any expenditures paid from the Plans. Committee members may be reimbursed for all reasonable and proper expenses incurred in performing their duties as Committee members if authorized by the Committee and in accordance with City policy.

Article Six: Indemnification

The City of Sacramento shall indemnify, defend and hold harmless the members of the Committee ("Indemnitees") to the extent required by law, from and against any and all liabilities, demands, claims, losses, costs and expenses, including reasonable attorney's fees, arising out of, relating to, or resulting from any action, inaction or conduct as an Indemnitee; provided, however, that (i) the City of Sacramento shall have the sole discretion whether to indemnify, defend or hold harmless any Indemnitee if the Indemnitee's actions, inactions or conduct arise out of, relate to, or result from the Indemnitee's gross negligence, bad faith, willful misconduct, or a willful violation of law, including, without limitation, a breach of fiduciary duty; and (ii) an Indemnitee shall, within seventy-two (72) hours, notify the City Clerk and City Attorney of any litigation involving any of the Plans, shall cooperate in the defense of any such lawsuit, and shall give the City sole and exclusive authority to act on his or her behalf in the event of any such litigation or other claim or demand arising out of, relating to, or resulting from his or her action, inaction or conduct as an Indemnitee.

Article Seven: Amendment of Bylaws

Amendments to the Bylaws proposed by Committee members must be prepared in writing and submitted for consideration at a regularly noticed meeting of the Committee. Upon approval of the proposed amendment(s), the City's Human Resources Director shall recommend to the City Council the adoption of the amendment(s).

CITY OF SACRAMENTO

457 DEFERRED COMPENSATION, 401(a) DEFINED CONTRIBUTION, and HEALTH REIMBURSEMENT ACCOUNT (HRA) PLANS

FEE AND EXPENSE POLICY STATEMENT

Payment of Expenses

All expenses incidental to the administration or protection of the Plans, and the management of the assets of the Plans, shall be paid from the assets of the Plans or by the Plan participants; unless the Employer chooses to pay such expenses directly.

To the extent permitted by law, the Employer may be reimbursed from the Plans for any direct expenses properly and actually incurred in connection with the performance of services for the Plan.

Expenses may be paid or reimbursed from the Administrative Allowance Account only upon the review and approval of the City of Sacramento Defined Contribution Plans Committee (hereinafter "Committee"), or by such other appropriate fiduciary of the Plan. The Committee's approval will only be given for expenses incurred in a manner consistent with applicable law, including, but not limited to, the Sacramento City Charter, City Code, and other City of Sacramento procurement and purchasing policies, as applicable.

Qualified Expenses

Qualified expenses that may be paid from the Administrative Allowance Account include:

- (a) Ongoing Plan administrative expenses, such as record keeping, legal, auditing, annual reporting, claims processing and similar administrative expenses;
- (b) Investment advisory, investment management, administrative investment or service fees and expenses;
- (c) Costs incurred in preparing, printing and distributing plan-related documents and other Participant communication materials;
- (d) Costs associated with benefit distributions and transactions;
- (e) Expenses to provide investment assistance and education to Participants; and

- (f) Costs for providing on-going education, including the costs of attending seminars and conferences, for members of the Committee, fiduciaries and staff with respect to the Plans as necessary or appropriate to assist in the discharge of their responsibilities to the Plans.

Participant Fees in Excess of Plans' Administration Service Provider Costs

The agreements entered into between the Employer and Plan Administration Service Provider state that participants shall pay an explicit fee which shall be used to pay for various aspects of Plan Administration. This fee may exceed the amount retained by the Plan Administration Service Provider to pay for its services.

Fees collected in excess of those retained by the Plan Administration Service Provider and received by the Plan shall be held in an unallocated trust assets account maintained under the Plan, to be called the Administrative Allowance Account.

Thereafter funds accrued in this account shall be used exclusively for the benefit of Participants and their Beneficiaries, or to defray the reasonable expenses of administering and managing the Plan.

Allocation of Excess Plan Administration Fees

Excess revenue remaining in the Administrative Allowance Account may be allocated to Plan participants at the Committee's discretion. Such amounts shall be allocated to Plan participants based on their pro-rata share of Plan assets.

Amendment

This Fee and Expense Policy may be amended only by the Sacramento City Council.

CITY OF SACRAMENTO

**457 DEFERRED COMPENSATION,
401(a) DEFINED CONTRIBUTION, and
HEALTH REIMBURSEMENT ACCOUNT (HRA) PLANS**

**STATEMENT OF INVESTMENT POLICIES
AND GUIDELINES**

July 2018

CITY OF SACRAMENTO
457 DEFERRED COMPENSATION, 401(a), and HRA PLANS
STATEMENT OF INVESTMENT POLICIES AND GUIDELINES

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INTRODUCTION AND PURPOSE

This statement is set forth to provide a clear understanding of the investment policies, guidelines and objectives related to the administration of the City of Sacramento 457 Deferred Compensation, 401(a), and HRA Plans (each singularly “Plan” or collectively “Plans”). The City of Sacramento Defined Contribution Plans Committee (“Committee”) has been tasked by the Sacramento City Council with oversight for the Plans. The Plans are salary deferral retirement and healthcare savings vehicles available to eligible City of Sacramento (“City”) employees who are interested in saving for retirement on a tax-favored basis. The Plans’ purpose is to provide a vehicle for, and to encourage, additional retirement savings to supplement the retirement benefits provided to City employees.

This Investment Policy Statement is further intended to assist the Committee in making Plan-related decisions in a prudent manner. It outlines the underlying philosophies and processes for the selection, monitoring and evaluation of the investment options, trustees, consultants and investment providers utilized by the Plans. This Investment Policy Statement will be reviewed by the Committee at least annually, and the Committee may recommend amendments to the City Council at any time to reflect changes in the capital markets, plan participant objectives, or other factors relevant to the Plans.

SUMMARY OF RESPONSIBILITIES

Plan Sponsor – The City of Sacramento is the Plan Sponsor. The City’s responsibilities are set out in the Plan Documents and contracts with the Services Provider.

Committee – The City of Sacramento Defined Contribution Plans Committee serves as an advisory body for the oversight of the Plans in accordance with the terms of the Plan Documents. It is the mission of the Committee to fulfill their responsibilities with respect to the Plans solely in the interest of the participants and beneficiaries. The Committee members must perform their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Committee’s responsibilities are established by the City of Sacramento Defined Contribution Plans Committee Bylaws.

Investment Consultant - The Committee may engage an independent investment consultant (“Consultant”) to assist in carrying out the duties and responsibilities of this Investment Policy Statement. Any Consultant retained for that purpose must be registered with either State or Federal securities regulators pursuant to the Investment Advisors Act of 1940. The Consultant’s role is to provide information and advice to the Committee on various investment related issues. The Consultant shall have no discretionary control or authority over the Plan and its assets. In its role as an advisor to the Committee the Consultant must acknowledge a fiduciary role with respect to the investment advice provided to the Committee. The specific services of the Consultant will be set forth in a separate agreement.

Investment Provider – An entity that offers investment products and manages assets for the

Plans. Examples of investment option products that may be offered by an investment provider may include mutual funds, commingled trust funds, separate accounts and/or variable annuity contracts.

Investment Manager – The person(s) retained or hired by the Investment Provider who is responsible for implementing an investment option’s investing strategy and managing its portfolio trading activities.

Services Provider – An entity or entities engaged to assist the Plan Sponsor and the Committee with administration of the Plans. The scope of assistance provided by a Service Provider will be set out in Plan documents and/or contracts between the Services Provider and the City, but typically includes Plan enrollment, communication, education, including providing general investment information to Plan participants regarding the procedures for making investment choices under the Plans and general investment information regarding each of the investment options offered under the Plans, distribution processing, record keeping, and other administrative functions.

GENERAL COMPLIANCE

The investment policies and guidelines of the Plans shall be reviewed by the Committee on at least an annual basis to determine the need to recommend amendment or modification to the City Council.

At minimum, it is intended that Plan participants shall be provided with the following opportunities:

- A. Choose from a minimum of three diverse investment options, each with materially different risk and return characteristics. At least one of the investment options will provide for a high degree of safety and capital preservation.
- B. Make and/or modify investment decisions at least quarterly.
- C. Receive or have access to the following information, as updated:
 - A description of the investment alternatives available under the Plans including a general description of the investment objectives, risk and return characteristics, and type and diversification of assets comprising each alternative;
 - Identification of the designated Investment Providers, Managers and investment products;
 - A description of any transaction fees or expenses charged to the Plan participant's account, and information on costs and fees for an investment product that reduces the rate of return to Plan participants (expense ratios); and
 - Prospectuses, annual reports, and semi-annual reports on investment products, if available.

GENERAL INVESTMENT POLICY, OBJECTIVES AND STANDARDS

It is the policy of the Plans to foster an investment environment that encourages and facilitates participant efforts to supplement other sources of retirement income. The Plans will be structured in an attempt to provide Plan participants with an array of investment options that offer competitive rates of return and reasonable overall cost. Participants in the Plans are solely responsible for their own investment decisions and bear the risks and assume responsibility for the results of the investment options that they select. The Plan Sponsor and Committee make no representations, promises, or warranties regarding the suitability of Plan participation for any participant's individual investment or retirement needs. Additionally, the Plan Sponsor and Committee make no representations, promises or warranties about the performance of the Plans or the Plans' investments.

The Plans exist in a very dynamic marketplace in which new investment alternatives may become available over time. The primary investment objective of the Plans, and therefore the Committee, is to present participants with a range of investment options that give participants an opportunity to increase the value of their investment assets in a manner consistent with varying levels of participant risk/reward tolerances and investment decision making skills. While the Plans cannot meet all plan participant investment preferences and attitudes, the Plans attempt to provide investment vehicles for participants at various levels of investment sophistication and with varying expectations for risk and return.

Information that may be used to select which investment products to offer Plan participants includes, but is not limited to, the following:

- Age, income and other demographic data on the Plans' participants
- Liquidity and administrative constraints imposed on the Plan by service providers
- Development of new investment products in the marketplace
- Level of participant usage of investment products
- The historical, and anticipated future, performance of the investment options

To enable participants to establish different investment strategies, the Plans will offer investment options that have varying return and volatility characteristics. It is the responsibility of each participant to evaluate the investment options and to select an appropriate mix.

A risk/reward structure is basic to investments. Generally, those vehicles offering the greatest return over time also carry the highest risk or volatility of return. The inherent conflict between volatility and long-range asset accumulation typically can be lessened through diversification among asset classes. In order to provide participants the opportunity to select risk/reward strategies and to diversify their, as well as the Plans', assets, the Plans will offer a number of investment option alternatives.

In addition to providing a range of investment options, the Plans seek to provide investment options that are competitive in terms of performance relative to appropriate investment

performance and risk benchmarks. The performance and risk relationships of the Plans' investment options will be reviewed periodically. Investment options should generally be given a full market cycle to achieve stated objectives (market cycles normally occur over 3-5 year time periods). Investment options should meet or exceed their pre-determined benchmark index(es) net of fees. Where peer groups are definable, investment options should also perform within the upper half of a sample of same style peers net of fees. In addition to net investment performance, the options' risk characteristics will also be reviewed. The risk associated with an investment option generally should be similar to that of the same-style peer group.

INVESTMENT OPTIONS

Investment options offered by the Plans will be categorized or grouped by similarities in investment objectives, style and risk. The Plan Service Provider(s) and/or Consultant may be asked to assist in determining the tiers of investment options. The Plans will be structured to assist participants in meeting their long-term investment objectives by providing investment options within the following permitted investment tiers (these tiers are further explained in the following pages of this document):

A. Tier 1: Target Retirement Date Pre-Mixed Portfolios

B. Tier 2: Asset Class Investment Options

- Fixed/Stable Value
- Total Return Bond
- Global Bond
- High Yield Bond
- U.S. Large-Size Company Equity
- U.S. Mid-Size Company Equity
- U.S. Small-Size Company Equity
- Global Allocation
- International Equity
- REIT (Real Estate Investment Trust)
- Others as approved by the Committee

C. Tier 3: Self Directed Brokerage Option (SDBO)

Investment options and tiers may be added or deleted as deemed necessary. At least one investment option shall be available within each investment tier.

The following table outlines the objectives and performance benchmarks for each of the Plans' investment options. The risk associated with an investment option will be compared to appropriate risk benchmarks or measures for a same-style group of peer investment options, where definable.

TIER 1: TARGET RETIREMENT DATE PRE-MIXED PORTFOLIOS

Lifecycle Premixed Portfolio – Income, 2020, 2025	
Provide different levels of income and capital growth dependent upon an individual participant’s specific target retirement or withdrawal date. Portfolios provide different allocations to stocks and bonds dependent upon the target retirement or withdrawal date that is selected. The portfolio will be well diversified including U.S. and international fixed income securities and U.S. and international equities. Stocks generally will comprise 35%-50% of the total portfolio. The percentage of international equities generally will not exceed 40% of the equity portion of the portfolio.	
Benchmark Index:	Custom Blended Index
Peer Groups:	US Target Date Income, US Target Date 2020, US Target Date 2025
Lifecycle Premixed Portfolio – 2030, 2035, 2040, 2045	
Provide different levels of income and capital growth dependent upon an individual participant’s specific target retirement or withdrawal date. Portfolios provide different allocations to stocks and bonds dependent upon the target retirement or withdrawal date that is selected. The portfolio will be well diversified including U.S. and international fixed income securities, and U.S. and international equities. Stocks generally will comprise 50%-70% of the total portfolio. The percentage of international equities generally will not exceed 40% of the equity portion of the portfolio.	
Benchmark Index:	Custom Blended Index
Peer Groups:	US Target Date 2030, US Target Date 2035, US Target Date 2040, US Target Date 2045
Lifecycle Premixed Portfolio –2050, 2055, 2060	
Provide different levels of income and capital growth dependent upon an individual participant’s specific target retirement or withdrawal date. Portfolios provide different allocations to stocks and bonds dependent upon the target retirement or withdrawal date that is selected. The portfolio will be well diversified including U.S. and international fixed income securities, and U.S. and international equities. Stocks generally will comprise 70%-90% of the total portfolio. The percentage of international equities generally will not exceed 40% of the equity portion of the portfolio.	
Benchmark Index:	Custom Blended Index
Peer Groups:	US Target Date 2050, US Target Date 2055, US Target Date 2060

TIER 2: ASSET CATEGORY INVESTMENT OPTIONS

Fixed / Stable Value	
<p>Provide high current income relative to cash investments and a high degree of investment safety without fluctuation of principal. Investment returns are derived primarily from interest income. A Fixed or General Account option, which is a fixed rate contract that is backed by an insurance company’s balance sheet, is to be of mid-investment-grade rating or higher, and backed by a diversified pool of underlying investments. A stable value option will be invested in guaranteed investment contracts (GICs), “synthetic” portfolios, money market instruments, and others, each mainly comprised of investments of short- to intermediate maturity, and which provide for an adequate degree of liquidity. The weighted-average maturity is expected to remain between two and five years at most times. The overall weighted credit-quality rating of the option shall be the equivalent of mid-investment-grade rating or higher. The rating must be obtained from at least one credit rating agency such as Moody, S&P or Duff & Phelps. If the option’s weighted rating declines below this level, the option will be evaluated for corrective action.</p>	
Benchmark Index:	<p>1. 5 Year CMT Index 2. 90-Day Treasury Bills Index</p>
Peer Group:	NA

TIER 2: ASSET CATEGORY INVESTMENT OPTIONS

High Yield Bonds	
<p>Provide high current income and capital appreciation through a diversified, actively-managed portfolio of non-investment grade high yield securities. The manager will be given discretion to hold securities that are not contained within the Benchmark Index, which may include Foreign Bonds, Investment Grade Bonds, Convertibles, derivatives, and others. The portfolio’s aggregated composition and risk and return characteristics however are expected to be reflective of its asset class.</p>	
Benchmark Index:	Barclays US Corporate High Yield Bond Index
Peer Group:	US High Yield Bond

Total Return Bond	
Provide capital appreciation and income through a diversified, actively managed fixed income portfolio. The portfolio's duration is expected to be comparable to that of its Benchmark Index, with some bandwidth allowed for the manager to exercise strategic deviation from the Benchmark. Average credit quality is expected to be investment grade. The fixed income portfolio will normally be primarily comprised of investments including money market instruments, U.S. Government and Agency bonds, mortgage-backed securities, corporate bonds, and others. The manager will be given discretion to hold securities that are not contained within the Benchmark Index, which may include Foreign Bonds, High Yield Bonds, Convertibles, Treasury Inflation Protected Securities, derivatives, and others. The portfolio's aggregated composition and risk and return characteristics however are expected to be reflective of its asset class.	
Benchmark Index:	Barclays Capital US Aggregate Bond Index
Peer Group:	US Intermediate-Term Bond

TIER 2: ASSET CATEGORY INVESTMENT OPTIONS (CONTINUED)

Global Bond	
Provide capital appreciation and current income through a diversified portfolio of bonds issued by both domestic and international issuers. Invests in bonds and other debt obligations and fixed income instruments of US and international issuers. The fund may hold a substantial amount of assets in either international or US issuers, depending on the opinion of the manager. Other instruments such as cash, currency, and derivatives may be used in order to pursue the fund's objective.	
Benchmark Index:	Barclays Capital Global Bond Index
Peer Group:	US World Bond

U.S. Large Company Equity	
Provide long-term capital appreciation through a diversified common stock portfolio with an average market capitalization greater than \$10 billion. Stocks of foreign companies that are traded in the U.S. may also be included in the portfolio, but generally should not exceed more than 20% of the total portfolio.	
Benchmark Indexes:	Blend: S&P 500 Index Growth: Russell 1000 Growth Index Value: Russell 1000 Value Index
Peer Groups:	Blend: US Large Cap Blend Growth: US Large Cap Growth Value: US Large Cap Value

U.S. Mid-Size Company Equity	
Provide long-term capital appreciation through a diversified common stock portfolio with an average market capitalization between \$2 billion and \$10 billion. Stocks of foreign companies that are traded in the U.S. may also be included in the portfolio, but generally should not exceed more than 20% of the total portfolio.	
Benchmark Indexes:	Blend: Blended US Mid-Cap Index Growth: Russell Mid-Cap Growth Index Value: Russell Mid-Cap Value Index
Peer Groups:	Blend: US Mid-Cap Blend Growth: US Mid-Cap Growth Value: US Mid-Cap Value

U.S. Small Company Equity	
Provide long-term capital appreciation through a diversified common stock portfolio with the average market capitalization between \$500 million and \$2 billion. Stocks of foreign companies that are traded in the U.S. may also be included, but generally should not exceed more than 20% of the total portfolio.	
Benchmark Indexes:	Blend: Blended US Small-Cap Index Growth: Blended US Small Cap Growth Index Value: Russell 2000 Value Index
Peer Groups:	Blend: US Small Cap Blend Growth: US Small Cap Growth Value: US Small Cap Value

TIER 2: ASSET CATEGORY INVESTMENT OPTIONS (CONTINUED)

Global Allocation	
Provide long-term capital appreciation through a diversified actively managed portfolio of global equities and fixed income securities. The option normally invests in issuers from at least five different countries, including the United States.	
Benchmark Indexes:	Custom Blended Index
Peer Groups:	US World Allocation

International Equity	
Provide long-term capital appreciation through a diversified, actively managed portfolio of international equities. Apart from dedicated Emerging Markets strategies, stocks of emerging countries may be used at the discretion of the manager, but generally should not exceed more than 30% of the total portfolio.	
Benchmark Indexes:	Blend: MSCI EAFE Index (net) Growth: MSCI All Country World Index ex-U.S. Growth (net) Value: MSCI All Country World Index ex-U.S. Value (net) Emerging Markets: MSCI Emerging Markets Index (net)
Peer Groups:	Blend: US Foreign Blend, Growth: US Foreign Growth Value: US Foreign Value Emerging Markets: US Emerging Markets

Real Estate (REIT)	
Provide long-term capital appreciation through a diversified, actively managed portfolio of Real Estate Investment Trusts. REITs allow trust ownership of real estate by a group of individuals who purchase certificates of ownership in the trust, which in turn invests the money in real property and distributes the profits back to the investors free of corporate income tax.	
Benchmark Index:	MSCI US REIT Index
Peer Group:	Specialty Real Estate

TIER 3: SELF-DIRECTED BROKERAGE

Self-Directed Brokerage (SDB)	
For Plan participants who consider themselves to be knowledgeable about investment principles, the Plan may offer a brokerage account option. Such option may be provided through one or more broker-dealers, as defined and regulated by the National Association of Securities Dealers, Securities Exchange Committee or State Securities Departments. Assets held in an SDB will be maintained in the name of the Plan Trustee or custodian for the benefit of the participant who established the account. Permissible investments for an SDB may include registered mutual funds and other securities permitted under State law. It is the SDB account holder's responsibility to adhere to these and any other restrictions placed on him or her by the Committee, broker-dealer or regulatory body. It is also the account holder's responsibility not to engage in transactions prohibited by statute or any regulatory entity. Investment options available through the SDB may contain additional risks and are not monitored by the Committee. The Committee may further restrict permissible investments available in the SDB. Each SDB account holder will be responsible for his or her own commissions, fees or loads applicable to individual securities or mutual fund transactions for the account.	
Benchmark Index:	Not Applicable
Peer Group:	Not Applicable

INVESTMENT OPTION SELECTION GUIDELINES

Investment options offered to participants will be provided through investment provider(s) accessible on the Services Provider's platform. Before introducing a new investment option, the Committee, in consultation with the Consultant and Services Provider, will define the niche to be filled and assess any prospective investment option's performance, quality, and risk characteristics. At a minimum, investment options under consideration should satisfy performance and risk considerations under actual, not modeled, conditions and over an appropriate time period. Investment option selection considerations may include, but are not limited to, the following:

- The investment option should generally, but not necessarily, have a history that spans a full market cycle, normally three to five (3-5) years.
- The investment option should generally meet or exceed its predetermined benchmark index, net of fees.
- The investment option should generally perform at median or within the upper half of a recognized and defined sample of same-style peer investment options.
- The investment option should be able to demonstrate a consistent performance track record attributable to a specific investment manager or team of managers.
- In selecting Target Retirement Date funds, the Committee shall consider the current and prospective composition of the Target Date funds (based on their glide path), and the corresponding risk and return implications relative to the benchmark and peer group constituents.

INVESTMENT OPTION REVIEW GUIDELINES AND MONITORING

Investment Providers and Investment Managers are required to comply with all applicable laws, rules, and regulations. However, the Committee takes no responsibility for the failure of the various Investment Providers and/or Investment Managers to comply with any and all applicable laws, rules or regulations.

It is recognized that certain stable value and Fixed options often have liquidity restrictions. Investment options with sales loads, redemption fees, or other non-investment management related expenses will be avoided to the extent possible.

Investment option performance, risk and style consistency is intended to be evaluated on a quarterly basis. Performance and risk results will be evaluated using comparisons with this policy, pertinent market indices and against other same-style peers, where definable. When necessary, investment option performance and risk may be reviewed more frequently.

The Committee will periodically review the investment options' progress in meeting the Plans' investment objectives. Investment options should comply with all stated investment objectives, guidelines and applicable rules contained in the prospectus or fund fact sheet. The Committee will review the performance of investment options quarterly to determine if they are achieving the established objectives. Investment performance reviews may include, but are not limited to, a review of:

- Investment portfolios;
- Fees and expenses;
- Investment style, process and philosophy;
- Investment management personnel; and

- Index tracking error.

The performance review will also include measuring the options' investment performance relative to stated benchmarks or respective indexes and peer groups; as well as the monitoring risk measures. The following will be evaluated:

Quantitative Measures

Active Investment Strategies. Options employing active management are expected to outperform their stated asset class or style benchmark net of all management fees over a trailing five year time period; and to rank above the 50th percentile of the appropriate peer group for the same trailing five year time period. It is also expected that the risk of each option, as defined by standard deviation of returns, be commensurate with the prescribed strategy relative to the appropriate market index and/or peer group.

Passive Investment Strategies. Passive Options are expected to track the performance of the index strategy that the option is designed to replicate, less management fees, with marginal tracking error. It is also expected that the risk of each passive option, as defined by standard deviation of returns, be commensurate with the appropriate market index.

Qualitative Measures

The options will also be monitored on an ongoing basis for other material changes which the Committee may determine are of importance to the decision of whether or not to retain an investment option, such as personnel departures; organizational changes; or alterations in investment style, philosophy, or strategy; and adherence to stated guidelines.

Time Periods. The Committee acknowledges that fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in an investment option's performance, the Committee intends to employ investment options with long-term investment strategies and will evaluate option performance from a long-term perspective. Performance over market cycles of three to five years will be weighted more heavily than performance over shorter time periods, such as one year or less.

In addition to the qualitative and quantitative measures referenced above, the Committee will also review the investment options' risk characteristics in relation to that performance. Risk will be measured in various ways including, but not limited to:

- Standard deviation
- Downside risk or semi-variance
- Risk/return ratios such as Sharp or Treynor Ratios
- Other statistical measures such as Beta, Alpha and Variance

INVESTMENT OPTION TERMINATION AND WATCH GUIDELINES

Generally, all investment options should be expected to remain true to their stated investment objectives and to perform as well as or better than their prescribed performance benchmarks, net of fees. The Committee recognizes the long-term nature of retirement plan investing and the variability of market returns. Periodic underperformance in any of the criteria outlined in this Investment Policy will not necessitate the termination of an investment option; however, any underperformance will result in consideration by the Committee of the factors causing underperformance and possible courses of action

that the Committee may take.

The Committee may, at any time, place any investment option that it views as having a pattern of under-performance on a watch status. Reasons the Committee might place an option on a watch status, include but are not limited to, the following:

Quantitative Measures

Actively Managed Options

- Performance below the prescribed benchmark index over a trailing five year period, combined with
- Performance below the median of its peer group over a trailing five year period

Passively Managed Options

- Net of fee performance tracking error relative to the respective index that is greater than 15 basis points over a trailing five-year period

Certain passive investment options operate in a marketplace that includes foreign markets whose exchanges close prior to that of the United States. In these instances, some fund managers may engage in a method of “Fair Value Pricing,” whereby the managers adjust the pricing of securities in the Fund to reflect any information that has become available after the close of the applicable foreign market. Discrepancies in performance between the applicable investment option and its performance benchmark that are due to “Fair Value Pricing” will be taken into consideration in evaluating performance of the affected investment options.

Qualitative Measures

- Management team or other significant personnel turnover;
- Changes in the product’s investment philosophy, process, style or risk profile;
- Excessive or rapid asset growth or decline;
- Pending regulatory investigations or material legal proceedings;
- Changes to firm ownership;
- Significant increase in management fees or expense ratio.
- In the case of monitoring Target Retirement Date funds, the Committee shall consider the current and prospective composition of the Target Date funds (based on their glide path) and the corresponding risk and return implications relative to the benchmark and peer group constituents.

An investment option may remain on watch status until the Committee decides to take further action. Committee actions include, but are not limited to, the following:

- Removing the investment option from watch status; or
- Terminating the investment option and reallocating the assets to an alternate or replacement investment option by Committee direction.

To be removed from quantitative, performance related watch status, generally, performance for the preceding five year trailing periods should be above the benchmark index or median for at least two consecutive quarters. However, barring any breakdown in process, the Committee may decide to leave an option on watch status for as long as they believe it is prudent to do so.

The Committee reserves the right to terminate investment option relationships at any time, for any reason when it determines such termination is in the best interests of the Plans and their participants and beneficiaries. Upon termination, further contributions or transfers to an investment option may be frozen, or the option may be replaced with or without transferring existing assets from the replaced option. Once the decision to terminate an option and remove it from the Plans is made, asset transfer and liquidation should be handled to the best advantage of the Plans' participants, with due consideration given to the anticipated effect on affected participants and beneficiaries.

INVESTMENT OVERSIGHT RESPONSIBILITY AND PROXY VOTING

The Committee shall have overall responsibility for the selection, monitoring and recommendation of termination of all investment managers. Additionally, the Committee shall be responsible for reviewing and maintaining these investment policies and guidelines.

Proxy votes required by investment managers shall be cast by those parties designated by the Committee. Voting rights shall be exercised in the best interest of the participants and beneficiaries of the Plans. The Committee may insist that they exercise their voting rights themselves by communicating their intention to do so in a timely manner.

GLOSSARY

Annualized Return

Rate of return of the account smoothed as though the return occurred equally over twelve-month periods. When the specified time frame is for less than a year, the rate of return is projected as though the same performance continues to occur for a twelve-month period.

Benchmarks

A standard against which the performance of the portfolio can be measured, typically against a standard index, although a client manager may also set the benchmark.

Duration

The weighted maturity of a fixed-income investment's cash flows, used in the estimation of the price sensitivity of fixed-income securities for a given change in interest rates. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price (a bond's cash flows consist of coupon payments and repayment of capital). A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, where maturity and duration are equal.

Growth Style Investing

Growth investors purchase companies that have above-average earnings growth and/or above-average sales growth rates.

Investment Objectives

The overall financial objectives of an investor. For example, whether the investor requires income or

capital appreciation. The investor's objectives govern the investment strategy.

Investment Tiers

Categories of investment options made available to Plan participants.

Large Cap

Large Capitalization – refers to those companies with a market capitalization of greater than \$10 billion.

Liquidity

The ability to buy or sell an asset quickly and in large volume without substantially affecting the asset's price.

Market Capitalization

The dollar value of a public company based on the total number of shares of stock available multiplied by the price per share.

Mid Cap

Mid Capitalization – refers to those companies with a market capitalization between \$2 and \$10 billion.

Net of Fees

After subtraction of management fees.

Peer Group

Contemporaries of the same asset class that can be compared against one another to achieve a larger sense of how the particular portfolio is performing.

Portfolio

Refers to the complete list of securities held in an investment vehicle.

Small Cap

Small Capitalization – refers to those companies with a market capitalization between \$500 million and \$1.99 billion.

Standard Deviation

Measures the range of returns and is based on a Normal Curve. Managers with lower standard deviations than the index have historically had returns that tended to fall closer to their mean return compared to the index. Managers with higher standard deviations than the index have historically had returns that tended to be further dispersed around the mean than the index. This is another measure of volatility, but it doesn't distinguish downside performance from upside performance.

Value Style Investing

Value investors rely on an examination of the underlying or unrealized value of a company as the

primary criterion for deciding whether or not to buy a company's stock. Value stocks are often priced lower than growth stocks due to slower growth expectations, recent financial difficulty, or a host of other reasons.