

**ADOPTION AGREEMENT
FOR THE
POST-EMPLOYMENT BENEFITS TRUST**



PFM ASSET MANAGEMENT LLC,
Trust Administrator



PRINCIPAL BANK,
As Successor Trustee

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INTRODUCTION

By executing this Adoption Agreement, the Employer named in Article 2 of this Adoption Agreement hereby adopts and agrees to be bound by the terms of the Post-Employment Benefits Trust Agreement (the "Trust Agreement"), a copy of which is attached as Exhibit A. To the extent there is a conflict between this Adoption Agreement and the Trust Agreement, the Trust Agreement will control. Unless otherwise specified below, initially capitalized terms used in this Adoption Agreement are defined in the Trust Agreement.

ARTICLE 1

EMPLOYER INFORMATION

1.1 Employer's Name, Address, and Telephone Number

(a) Name: City of Santa Rosa

(b) Address: 90 Santa Rosa Avenue, Santa Rosa, CA 95404

(c) Telephone: 707-543-3140

1.2 Employer's Taxpayer Identification Number: 94-6000-428

ARTICLE 2

PLAN INFORMATION

2.1 Plan Names:

OPEB Plan(s): Santa Rosa City PEMHCA OPEB

Pension Plan(s): Santa Rosa City General Fund Pension; Santa Rosa Water Pension Fund

(Each a "Plan" and collectively, the "Plans")

2.2 Employer-designated: Plan Administrator's Name, Title, Address, and Telephone Number:

(a) Name: Alan Alton

(b) Title: Chief Financial Officer

(c) Address: 90 Santa Rosa Avenue, Santa Rosa, CA 95404

(d) Telephone: 707-543-3093

ARTICLE 3

TRUST ADMINISTRATIVE SERVICES

As a condition of the Employer's participation in the Trust, the Employer and the Trust Administrator have executed the Trust Administrative Services Agreement attached as Exhibit B.



ARTICLE 4

INVESTMENTS

The Employer hereby directs the Trust Administrator to direct the Trustee to invest the assets in the Employer's Account in accordance with the investment strategy mutually agreed to by the Employer and the Trust Administrator as set forth in the Investment Policy Statement attached as Exhibit C.

ARTICLE 5

TRUST FEES AND EXPENSES

5.1 Method of Payment. Unless the Employer otherwise elects below, the Trust Administration Fees (as defined in Section 9.2 of the Trust Agreement), Trustee Fees (as defined in Section 9.3 of the Trust Agreement), and any other reasonable fees and expenses of administering the Employer's Account will be paid from the Employer's Account. In lieu of payments from its Account, the Employer hereby elects to pay the following amounts:

- Trust Administration Fees
- Trustee Fees
- All expenses of the Employer's Account other than fees
- Other (please insert description):

Please refer to Section 4 of the Trust Administrative Services Agreement for further information about payment of fees and expenses.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

- 6.1 The Employer hereby represents and warrants that each of the following statements is true and correct to the best of its knowledge:
- (a) The Employer is a state, a political subdivision of a state or another public agency whose income is excludable from gross income under section 115 of the Code that is established and maintained under the laws of the State of California.
 - (b) The Employer has established and maintains one or more Plans the exclusive purpose of each is to provide OPEB or retirement benefits to its former employees.
 - (c) The exclusive purpose of the Employer's participation in the Trust is to fund the Pension Obligation or OPEB Obligation, or both, under the Employer's Plans.



- (d) The Employer's participation in the Trust for the purpose of funding, as applicable, the Pension Obligation or OPEB Obligation, or both, under the Employer's Plans is authorized under the laws of the State of California.
- (e) The Employer's Plans do not permit participants to direct or otherwise exercise in any manner, whether direct or indirect, control over the investment of their accounts or benefits accrued under the Plans.
- (f) The Employer has received copies, and has read and understands the terms, of the Trust Agreement.

ARTICLE 7

STANDARD OF CARE AND INDEMNIFICATION

- 7.1 Standard of Care. The Trustee and the Trust Administrator must discharge their duties with respect to the investment and management of Trust assets in accordance with the standard of care set forth in Section 11.2 of the Trust Agreement, and in accordance with applicable California law.
- 7.2 Employer Indemnification of Trustee. The Employer, from its own funds and not from any assets of the Trust, agrees to indemnify the Trustee and each of its affiliates against, and will hold them harmless from, any and all loss, claims, liability, and expense, including cost of defense and reasonable attorneys' fees, imposed upon or incurred at any time by any of them by reason of or in connection with the performance of the Trustee's services under this Agreement, except to the extent such damages resulted from the Trustee's or affiliate's performance (or non-performance) of its duties under the Trust Agreement in a manner that constitutes negligence, willful misconduct or a material breach of the standard of care articulated in Section 11.2 of the Trust Agreement.
- 7.3 Employer Indemnification of Trust Administrator. Employer, from its own funds and not from any assets of the Trust, agrees to indemnify the Trust Administrator and each of its affiliates against, and will hold them harmless from, any and all damages imposed upon or incurred by any of them by reason of, or in connection with its services under the Trust Agreement or the Trust Administrative Services Agreement, except to the extent that such damages resulted from the Trust Administrator's or affiliate's performance (or non-performance) of its duties under the Trust Agreement or the Trust Administrative Services Agreement in a manner that constitutes negligence, willful misconduct or a material breach of the standard of care articulated in Section 11.2 of the Trust Agreement.

ARTICLE 8

AMENDMENT

The Employer understands and agrees that the Trust Agreement may be amended from time to time by the Trustee and the Trust Administrator with the approval of two-thirds of the Employers then participating in the Trust.

ARTICLE 9

NO GUARANTEE OF INVESTMENT RESULTS

The Employer understands and acknowledges that investments in the Trust involve risk and that there is no guarantee of investment performance or other performance of the Trust, including but not limited to custodians, depositories, or counterparties to investment strategies of the Trust.



ADOPTION OF TRUST AGREEMENT

By executing this Adoption Agreement, the Employer hereby adopts and agrees to be bound by the terms of the Trust Agreement and hereby approves, ratifies and confirms the appointment of Principal Bank, as the successor Trustee to Wells Fargo Bank, N.A., and PFM Asset Management LLC as the Trust Administrator as of the effective date of this Adoption Agreement. This Adoption Agreement and the Trust Agreement are effective on the 10th day of May, 2022.

EMPLOYER

City of Santa Rosa

Agency Name

By: _____

Its: _____

Date: _____

ACCEPTED:

TRUST ADMINISTRATOR
PFM ASSET MANAGEMENT LLC

By: _____

Its: _____

Date: _____

TRUSTEE
PRINCIPAL BANK

By: _____

Its: _____

Date: _____



EXHIBIT A

FEES

| Trust Administration Fees | | |
|----------------------------------|---------------|-------------------|
| Assets Under Management | | Annual Fee |
| Up to | \$25,000,000 | 0.30% |
| Next | \$75,000,000 | 0.15% |
| Next | \$150,000,000 | 0.10% |
| Next | \$250,000,000 | 0.05% |
| thereafter | | 0.02% |

Minimum annual account fee is \$25,000

| Trustee/Custody Fees | | |
|---|---|-------------------------------|
| Trustee/Custody Per Annum Fees | Unit Price | |
| Domestic Administration Total Portfolio Assets | Base Fee | Per Additional Account |
| \$0 - \$20 million | \$5,000 | \$500 |
| \$20 million - \$100 million | \$8,000 | \$500 |
| Over \$100 million | Individually priced on a deal-by-deal basis | |
| Benefit Payments | | |
| Web-Based Online Reporting & Administration – RPP | Included | |
| Periodic ACH without Advice | \$1.50 | |
| Periodic Check/ACH with Advice | \$2.00 | |
| Lump Sum Payments | \$20.00 | |
| Form 1099 Reports | \$0.00 | |
| Stop Payments | \$0.00 | |



EXHIBIT B

TRUST ADMINISTRATIVE SERVICES AGREEMENT



TRUST ADMINISTRATIVE SERVICES AGREEMENT

This agreement ("Agreement") is made this 10th day of May, 2022, by and between the CITY OF SANTA ROSA (the "Employer") and PFM ASSET MANAGEMENT LLC, a Delaware limited liability company (the "Trust Administrator").

WHEREAS, the Employer has adopted one or more plans, policies, or collective bargaining agreements ("Plans") the exclusive purpose of each is to provide other post-employment health and welfare benefits (other than pensions) ("OPEB") or retirement benefits; and

WHEREAS, the Trust Administrator, Principal Bank, as successor trustee to Wells Fargo Bank, N.A. (the "Trustee"), and various public agencies have entered into an agreement (the "Trust Agreement") establishing the Post-Employment Benefits Trust (the "Trust"); and

WHEREAS, the Employer has adopted the Trust by executing the adoption agreement to which this Agreement is attached (the "Adoption Agreement") in order to fund the OPEB and retirement benefits payable under the Plans; and

WHEREAS, the Employer wishes to retain the services of the Trust Administrator to administer the Employer's account under the Trust ("Account").

NOW THEREFORE, the Employer and the Trust Administrator hereby agree as follows:

Capitalized words not defined this document are defined in the Trust Agreement.

1. Trust Administrator Services

The Trust Administrator will provide the following services for the Employer's Account:

1.1 Administrative Services

- A.** Instruct the Trustee to make disbursements from the Employer's Account at the direction of the Plan Administrator for the payment of OPEB or retirement benefits under the Employer's Plans funded by the Account;
- B.** Coordinate the annual audit of the Trust, the results of which will be provided to the Employer; and
- C.** Coordinate such other actions with the Trustee as directed by the Plan Administrator that are within the scope of the Trust Administrator's duties under the Trust Agreement.

1.2 Investment Management Services

- A.** Determine the asset allocation of investments in the Employer's Account ("Investment Strategy") based on information provided by the Employer or the Plan Administrator, including the anticipated amounts of cash required by the Plans for distributions and other expenses, and the appropriate risk



tolerance for the Plans based on the Plans' asset-liability characteristics and the Employer's resources;

- B. Prepare a recommended policy statement of the Account's Investment Strategy acceptable to the Employer to the extent necessary to accomplish the Account's Investment Strategy ("Investment Policy Statement");
- C. Execute the Account's Investment Strategy by instructing the Trustee to buy and sell shares of investments permitted under the Trust in accordance with the Investment Policy Statement;
- D. In consultation with the Employer, reassess and alter the Investment Strategy and Investment Policy Statement at least annually to the extent necessary to "rebalance" the Account investments;
- E. Perform reviews at least annually of the performance of the investments held in the Account, add or reduce allocations to each investment or add or delete investments in its judgment (to the extent permitted under the Investment Policy Statement and the Trust), and promptly advise the Employer of any additions or deletions of Account investments; and
- F. Provide the Employer after the end of each calendar quarter with an analysis of the performance of the investments of the Account and a statement of the changes in the investments made during such calendar quarter.

2. Compensation

- 2.1 Fees.** For all services provided by the Trust Administrator under this Agreement and the Trustee under the Trust Agreement, the following fees will apply:

[Fees will be determined on an employer-by-employer basis. This section will itemize fees by category: Trust Administration Fees, Trustee Fees, and other categories as appropriate.]

The Trust Administrator will notify the Employer in writing of any change in the above fee amounts at least 60 days before the effective date of the change.

- 2.2 Fees for Additional Services.** If and to the extent that the Employer requests the Trust Administrator to render services other than those described under this Agreement, such additional services will be compensated separately on terms to be agreed upon between the Trust Administrator and the Employer.
- 2.3 Pooled Proprietary Investments.** Assets invested by the Trust Administrator under the terms of this Agreement may from time to time be invested in mutual funds managed by the Trust Administrator (a "Proprietary Fund"). With respect to any such investment, the Employer shall be entitled to a credit against fees described in this Section, in an amount at least equal to the amount of the investment advisory fee, then in effect and net of any fee waivers applicable to such investment advisory fee, which the Trust Administrator receives from the Proprietary Fund for the investment of the assets hereunder. Expenses of the



Proprietary Fund, including compensation for the Trust Administrator, are described in the relevant prospectus or registration statement and are paid from the Proprietary Fund.

3. Expenses

3.1 Furnishing of Administrative Services, Office Space, Equipment and Personnel. The Trust Administrator will furnish at its own expense all necessary administrative services, office space, equipment, clerical personnel, telephone and other communication facilities, investment advisory facilities, and executive and supervisory personnel required to perform the services under this Agreement, inclusive of reasonable costs required to attend meetings with the Employer.

3.2 Expenses of Employer's Account. Except as otherwise provided in this Agreement, Employer agrees to pay all expenses under the Trust incurred by (or allocable to) the Employer's Account including, without limitation, taxes, expenses (including front- or back-end charges) of an investment fund, fees and expenses of the Account's independent auditors and legal counsel, insurance premiums, expenses of the Trustee, the keeping of books and accounts, and the allocable costs of the annual Trust audit described in Section 5.3 of the Trust Agreement. The Trust Administrator will calculate expenses allocable to the Account on a pro-rata basis, or in any other reasonable and equitable manner determined by the Trust Administrator.

4. Payment Terms. At the end of each calendar month, the Trust Administrator will prepare and submit to the Employer for approval a monthly invoice for fees and expenses under this Agreement as described in Sections 2.1 and 3.2. The invoice will include a statement of the basis upon which the fees and expenses were calculated. Except to the extent that the Employer has elected in the Adoption Agreement to pay such invoices, the Employer authorizes the Trust Administrator to charge such invoices to the Employer's Account and authorizes and instructs the Trustee to disburse funds from the Account for the payment of the fees and expenses. If the Employer has elected in the Adoption Agreement to pay such invoices, but does not fully pay any invoice within 15 calendar days after the invoice's postmark, then the Employer hereby authorizes the Trust Administrator to charge the unpaid amount to the Account and instructs the Trustee to disburse such amount from the Account for the payment of the fees and expenses. If sufficient funds are not available or cannot for any reason otherwise be disbursed from the Account, the Trust Administrator will notify the Employer, and the Employer will pay the unpaid amount to the Trust Administrator from other sources within 10 calendar days after receiving the notice.

5. Registered Advisor; Duty of Care. The Trust Administrator hereby represents it is a registered investment advisor under the Investment Advisers Act of 1940. The Trust Administrator will immediately notify the Employer if at any time during the term of this Agreement it is not so registered or if its registration is suspended. The Trust Administrator agrees to perform its duties and responsibilities under this Agreement with reasonable care. Notwithstanding the foregoing, the Trust Administrator has no responsibility or liability for determining whether or to what extent the Trust or Trustee is eligible to receive funds from the Employer under applicable law; and it is the Employer's sole responsibility to make such determination upon the establishment of its account under the Trust and at all subsequent times. The federal securities laws impose



liabilities under certain circumstances on persons who act in good faith. Nothing herein in any way constitutes a waiver or limitation of any rights which the Employer or the Trust may have under any federal securities laws. The Employer hereby authorizes the Trust Administrator to sign an Internal Revenue Service Form W-9 on behalf of the Employer and to deliver such form to broker-dealers or others from time to time as required in connection with securities transactions pursuant to this Agreement.

- 6. Trust Administrator's Other Clients.** The Employer understands that the Trust Administrator performs investment advisory services for various other clients which may include investment companies, commingled trust funds and/or individual portfolios. The Employer agrees that the Trust Administrator, in the exercise of its professional judgment, may give advice or take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the Account. The Trust Administrator has no obligation to purchase, sell or exchange any security for the Employer solely by reason of the fact that the Trust Administrator, its principals, affiliates, or employees may purchase, sell or exchange such security for the account of any other client or for itself or its own accounts.
- 7. Term of Agreement.** This Agreement will remain in effect until terminated by either party at any time by giving 90 days' written notice to the other party of its intent to terminate.
- 8. Force Majeure.** The Trust Administrator has no liability for any losses arising out of the delays in performing or inability to perform the services which it renders under this Agreement which result from events beyond its control, including interruption of the business activities of the Trust Administrator or other financial institutions due to acts of God, acts of governmental authority, acts of war, terrorism, civil insurrection, riots, labor difficulties, or any action or inaction of any carrier or utility, or mechanical or other malfunction.
- 9. Disciplinary Actions.** The Trust Administrator will promptly notify the Employer if the Trust Administrator is found to have violated any state or federal securities law or regulation in any final and unappealable judgment in any criminal action or civil suit in any state or federal court or in any disciplinary proceeding before the Securities and Exchange Commission or any other regulatory agency or department of the United States, any registered securities exchange, the Financial Industry Regulatory Authority, or any regulatory authority of any State based upon the performance of services as an investment advisor.
- 10. Confidentiality.** The Trust Administrator will not disclose any information relating to the Plans or the Account except to authorized officers of the Employer, the Plan Administrator the Trustee and third parties retained by the Trust Administrator to perform specific services within this Agreement without the Employer's consent, unless such disclosure is required by law or by regulatory or judicial process. The Employer will not disclose any information relating the Trust to individuals other than authorized officers of the Employer and the Plan Administrator, or their respective designees, without the Trust Administrator's consent.
- 11. Independent Contractor.** The Trust Administrator, its employees, officers and representatives, will not be deemed to be employees, agents (except as to the purchase or sale of securities described in Section 1), partners, servants, and/or joint ventures of



the Employer or the Account by virtue of this Agreement or any actions or services rendered under this Agreement.

- 12. Records.** The Trust Administrator will maintain appropriate records of all its activities hereunder. The Trust Administrator will use its best efforts to provide the Employer with a statement within 60 days following the end of each calendar quarter showing deposits, withdrawals, purchases and sales (or maturities) of investments, earnings received during the quarter, and the value of assets held on the last business day of the calendar quarter, all as provided for in the Trust Agreement, based on the information requested from and furnished to it by the Trustee.
- 13. Ownership of Reports and Documents.** The Trust Administrator acknowledges that the originals of all correspondence, documents, reports and records produced in the course of providing the services pursuant to this Agreement are the property of the Employer. In the event this Agreement is terminated, the Trust Administrator agrees to provide such originals to the Employer. The Trust Administrator will not furnish copies of any such correspondence, documents reports and records to any party other than the Employer or the Plan Administrator, or their respective designees, or third parties retained by the Trust Administrator to perform services under this Agreement without the Employer's consent.
- 14. Trust Administrator's Brochure and Brochure Supplement.** The Trust Administrator warrants that it has delivered to the Employer prior to the execution of this Agreement, the Trust Administrator's current Securities and Exchange Commission Form ADV, Part 2A (brochure) and Part 2B (brochure supplement. The Employer acknowledges receipt of such brochure and brochure supplement prior to the execution of this Agreement.
- 15. Amendment.** This Agreement shall not be changed, modified, terminated or discharged in whole or in part, except by an instrument in writing signed by both parties hereto, or their respective successors or assigns.
- 16. Successors and Assigns.** The provisions of this Agreement are binding on the Trust Administrator and its respective successors and assigns, provided, however, that the rights and obligations of the Trust Administrator may not be assigned without the Employer's consent.
- 17. Designees.** In accordance with Section 1.8 of the Trust Agreement, the Employer will certify to the Trust Administrator in writing the persons or entity with the plenary authority pursuant to applicable state law over the investment and management of the Employer's Plans or its designee ("Plan Administrator"). The Plan Administrator has the authority to act on behalf of, and to exercise any of the rights of, the Employer under this Agreement. In accordance with Section 6.1(l) of the Trust Agreement, the Trust Administrator may designate and engage the services of such agents, representatives, advisors, counsel, accountants and other third parties, including affiliates of the Trust Administrator, and delegate its authority to perform specified services under this Agreement to such third parties. Any such designee shall have the authority to perform the services delegated to it by the Trust Administrator. Any officer of the Trust Administrator has the authority to exercise any of the rights of the Trust Administrator under this Agreement.
- 18. Notice.** Written notices required under this Agreement will be sent by regular mail, certified mail, overnight delivery or courier, and will be deemed given when received at



the parties' respective addresses shown below. Either party must notify the other party in writing of a change in address.

Employer's Address:

City of Santa Rosa
90 Santa Rosa Avenue
Santa Rosa, CA 95404
Attn: Alan Alton

Trust Administrator's Address:

PFM Asset Management LLC
1 California Street, 10th Floor
San Francisco, CA 94111
Attn: Multi-Asset Class Specialist

With a Copy to:

PFM Asset Management LLC
213 Market Street
Harrisburg, PA 17101
Attn: Chief Administrative Officer

- 19. Applicable Law.** This Agreement will be construed, enforced and administered according to the laws of the State of California, without regard to its conflicts of law principles. In the event that either party institutes legal proceedings against the other, venue will lie in any court of competent jurisdiction in the State of California.
- 20. Entire Agreement.** This Agreement, including exhibits and any other documents referenced herein, constitutes the entire agreement of the parties with respect to the subject matter of this Agreement, and supersedes all prior negotiations, agreements, and understandings, whether written or oral, with respect thereto.
- 21. Severability.** If any provision of this Agreement is held by any court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of the Agreement will continue in full force and effect.
- 22. Counterparts.** This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed will be deemed to be a complete original and all of which together will constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized officers on the date set forth in the first paragraph of this Agreement.

**TRUST ADMINISTRATOR
PFM ASSET MANAGEMENT LLC**

By: _____

Its: _____



**AGENCY
CITY OF SANTA ROSA**

By: _____

Its: _____



EXHIBIT C
INVESTMENT POLICY STATEMENT



INVESTMENT POLICY STATEMENT
FOR
CITY OF SANTA ROSA SECTION 115 TRUST
CITY GENERAL FUND PENSION FUND

Adopted May 10, 2022

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The City of Santa Rosa has established a Section 115 Trust, known as the City of Santa Rosa Section 115 Trust. One account in the Trust is the City General Fund Pension Fund (the “Fund”). This Fund will be used to invest monies to fund the City’s unfunded liability in the California Public Employee Retirement System (“CalPERS”) The Santa Rosa City Council (“Council”) hereby adopts this Investment Policy Statement (“Policy Statement”) for the following purposes.

Purpose

The main investment objective of the Fund is to achieve long-term growth of Fund assets by maximizing long-term rate of return on investments and minimizing risk of loss.

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

1. Document investment objectives, performance expectations, and investment guidelines for Fund assets.
2. Establish an appropriate investment strategy for managing all Fund 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 Fund.
3. Establish investment guidelines to control overall risk and liquidity.
4. Establish periodic performance reporting requirements to monitor investment results and confirm that the investment policy is being followed.
5. Comply with fiduciary, prudence, due diligence, and legal requirements for Fund assets.

Investment Authority

An Investment Committee (“Committee”) will oversee certain policies and procedures related to the operation and administration of the Fund. The Committee will have authority to implement the investment policy and guidelines in the best interest of the Fund to best satisfy the purposes of the Fund. In implementing this Policy Statement, the Committee believes it may delegate certain functions to:

1. An investment advisor (“Advisor”) to assist the Committee in the investment process and to maintain compliance with this Policy Statement. The Advisor may assist the Committee in establishing investment policy objectives and guidelines. The Advisor will adjust asset allocation for the Fund subject to the guidelines and limitations set forth in this Policy Statement. The Advisor will also select investment managers (“Managers”) and strategies consistent with its role as a fiduciary for the Fund. The investment vehicles allowed may include mutual funds, commingled trusts, separate accounts, limited partnerships, and other investment vehicles deemed to be appropriate by the Advisor. The Advisor is also responsible for monitoring and

reviewing investment managers, measuring and evaluating performance, and other tasks as deemed appropriate in its role as Advisor for Fund assets. The Advisor may also select investments with discretion to purchase, sell, or hold specific securities, such as Exchange Traded Funds, that will be used to meet the Fund's investment objectives. The Advisor shall never take possession of securities, cash, or other assets of the Fund, all of which shall be held by the custodian. The Advisor must be registered with the Securities and Exchange Commission.

2. A custodian selected by the Fund to maintain possession of physical securities and records of street name securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. 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 Fund.
3. A trustee appointed by the Fund, such as a bank trust department, if the Fund does not have its own Trustees, to assume fiduciary responsibility for the administration of Fund assets; provided, however, that if the Committee shall have appointed an investment advisor, then any trustee appointed under this paragraph shall have no authority with respect to selection of investments.
4. Specialists such as attorneys, auditors, actuaries, and consultants to assist the Committee in meeting its responsibilities and obligations to administer Fund assets prudently.

Statement of Investment Objectives

The investment objectives of the Fund are as follows:

1. To invest assets of the Fund in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of Fund beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses from individual investments.
2. To provide for funding and anticipated withdrawals on a continuing basis for payment of long-term liabilities and reasonable expenses of operation of the Fund.
3. To enhance the value of Fund assets in real terms over the long term through asset appreciation and income generation, while maintaining a reasonable investment risk profile.
4. Subject to performance expectations over the long term, to minimize principal fluctuations over the Time Horizon (as defined below).
5. 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".

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: domestic and international equities or equity funds, and 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, guaranteed investment contracts, and certain real estate investments, focused on interest rate risk mitigation or income investment-like returns.

"Real Return Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on real returns after inflation. Investments within the Real Return category can include inflation protected securities, commodities, and certain real estate investments.

Time Horizon

The Fund's investment objectives are based on a long-term investment horizon ("Time Horizon") of ten years or longer. Interim fluctuations should be viewed with appropriate perspective. The Committee has adopted 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.

Liquidity and Diversification

In general, the Fund may hold some cash, cash equivalent, and/or money market funds for near-term Fund liabilities and expenses (the "Fund Distributions"). Remaining assets will be invested in longer-term investments 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.

Asset Allocation

The Committee believes that to achieve the greatest likelihood of meeting the Fund'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 achieve an average total annual rate of return that is equal to or greater than the Fund's target rate of return over the long-term, as described in the section titled "Performance Expectations".

| <u>Asset Classes</u> | <u>Asset Weightings</u> | |
|---------------------------|-------------------------|---------------|
| | <u>Range</u> | <u>Target</u> |
| Growth | | |
| Domestic Equity | 13% - 53% | 33% |
| International Equity | 0% - 37% | 17% |
| Other Equity | 0% - 10% | 0% |
| Income | | |
| Fixed Income | 30% - 70% | 50% |
| Other Income | 0% - 10% | 0% |
| Real Return Assets | 0% - 10% | 0% |
| Cash Equivalents | 0% - 50% | 0% |

The Advisor and each Manager will be evaluated against their peers on the performance of the total funds under their direct management.

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 allocations breach the specified ranges, the Advisor will rebalance the assets within the specified ranges. The Advisor may also rebalance based on market conditions.

Risk Tolerance

Subject to investment objectives and performance expectations, the Fund will be managed in a style that seeks to minimize principal fluctuations over the established Time Horizon.

Performance Expectations

Over the long-term, ten years or longer, the performance objective for the Fund will be to achieve an average total annual rate of return that is equal to or greater than the Fund's target investment rate of return. Additionally, it is expected that the annual rate of return on Fund 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 Fund investments and blended benchmark comparisons for the Fund in its entirety.

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

- 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.
- 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.
- The Manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- 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.
- 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 Fund assets.

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Limitations on Managers' Portfolios

EQUITIES

No more than the greater of 5% or weighting in the relevant index (Russell 3000 Index for U.S. issues and MSCI ACWI ex-U.S. for non-U.S. issues) 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 countries, regions and sectors.

FIXED INCOME

Fixed income securities of any one issuer shall not exceed 5% of the 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 as calculated by the Advisor shall be investment grade, based on the rating of one Nationally Recognized Statistical Rating Organization ("NRSRO").

OTHER ASSETS (ALTERNATIVES)

Alternatives may consist of non-traditional asset classes such as hedge funds, private equity, private debt and real assets, when deemed appropriate. The total allocation to this category may not exceed 15% of the overall portfolio.

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, 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.

CASH EQUIVALENTS

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

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 are not used for the sole purpose of leveraging Fund assets. One example of a hedge vehicle is an exchange traded fund (“ETF”) which takes short positions.

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, direct commodities or commodity contracts, or private placements (with the exception of Rule 144A securities). Further, derivatives, options, or futures 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.

Safekeeping

All assets of the Fund shall be held by a custodian approved by the Committee for safekeeping of Fund 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 Fund Agreement. Investments of the Fund not held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts. Investments and portfolio securities may not be loaned.

Control Procedures

Review of Investment Objectives

The Advisor shall review annually and report to the Committee the appropriateness of this Policy Statement for achieving the Fund’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.

Review of Investment Performance

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

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. Index for broad based non-U.S. equity strategies; MSCI Europe, Australasia, and Far East (EAFE) Index for developed markets international equities, Bloomberg Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-bill for cash equivalents. The Russell 3000 Index will be used to benchmark the U.S. equities portfolio; the MSCI ACWI ex-U.S. Index will be used to benchmark the non-U.S. equities portfolio; the Barclays U.S. Aggregate Bond Index will be used to benchmark the fixed income portfolio. The categories “Other” will be benchmarked against appropriate indices depending on the specific characteristics of the strategies and funds used.

Voting of Proxies

The Committee recognizes that proxies are a significant and valuable tool in corporate governance. The voting rights of individual stocks held in separate accounts or collective, common, or pooled funds will be exercised by the investment managers in accordance with their own proxy voting policies. The voting rights of funds will be exercised by the Advisor.

Adoption of Investment Policy Statement

Any changes and exceptions to this Policy Statement will be made in writing and adopted by the Committee and provided to the Council, Advisor, Trustee and other Specialists. Once adopted, changes and exceptions will be delivered to each Manager, as appropriate, by the Advisor.

Approved:

Chief Financial Officer

Date

INVESTMENT POLICY STATEMENT
FOR
CITY OF SANTA ROSA SECTION 115 TRUST
SANTA ROSA WATER PENSION FUND

Adopted May 10, 2022

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The City of Santa Rosa has established a Section 115 Trust, known as the City of Santa Rosa Section 115 Trust. One account in the Trust is the Santa Rosa Water Pension Fund (the “Fund”). This Fund will be used to invest monies to fund the City’s unfunded liability in the California Public Employee Retirement System (“CalPERS”) The Santa Rosa City Council (“Council”) hereby adopts this Investment Policy Statement (“Policy Statement”) for the following purposes.

Purpose

The main investment objective of the Fund is to achieve long-term growth of Fund assets by maximizing long-term rate of return on investments and minimizing risk of loss.

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

1. Document investment objectives, performance expectations, and investment guidelines for Fund assets.
2. Establish an appropriate investment strategy for managing all Fund 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 Fund.
3. Establish investment guidelines to control overall risk and liquidity.
4. Establish periodic performance reporting requirements to monitor investment results and confirm that the investment policy is being followed.
5. Comply with fiduciary, prudence, due diligence, and legal requirements for Fund assets.

Investment Authority

An Investment Committee (“Committee”) will oversee certain policies and procedures related to the operation and administration of the Fund. The Committee will have authority to implement the investment policy and guidelines in the best interest of the Fund to best satisfy the purposes of the Fund. In implementing this Policy Statement, the Committee believes it may delegate certain functions to:

1. An investment advisor (“Advisor”) to assist the Committee in the investment process and to maintain compliance with this Policy Statement. The Advisor may assist the Committee in establishing investment policy objectives and guidelines. The Advisor will adjust asset allocation for the Fund subject to the guidelines and limitations set forth in this Policy Statement. The Advisor will also select investment managers (“Managers”) and strategies consistent with its role as a fiduciary for the Fund. The investment vehicles allowed may include mutual funds, commingled trusts, separate accounts, limited partnerships, and other investment vehicles deemed to be appropriate by the Advisor. The Advisor is also responsible for monitoring and

reviewing investment managers, measuring and evaluating performance, and other tasks as deemed appropriate in its role as Advisor for Fund assets. The Advisor may also select investments with discretion to purchase, sell, or hold specific securities, such as Exchange Traded Funds, that will be used to meet the Fund's investment objectives. The Advisor shall never take possession of securities, cash, or other assets of the Fund, all of which shall be held by the custodian. The Advisor must be registered with the Securities and Exchange Commission.

2. A custodian selected by the Fund to maintain possession of physical securities and records of street name securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. 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 Fund.
3. A trustee appointed by the Fund, such as a bank trust department, if the Fund does not have its own Trustees, to assume fiduciary responsibility for the administration of Fund assets; provided, however, that if the Committee shall have appointed an investment advisor, then any trustee appointed under this paragraph shall have no authority with respect to selection of investments.
4. Specialists such as attorneys, auditors, actuaries, and consultants to assist the Committee in meeting its responsibilities and obligations to administer Fund assets prudently.

Statement of Investment Objectives

The investment objectives of the Fund are as follows:

1. To invest assets of the Fund in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of Fund beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses from individual investments.
2. To provide for funding and anticipated withdrawals on a continuing basis for payment of long-term liabilities and reasonable expenses of operation of the Fund.
3. To enhance the value of Fund assets in real terms over the long term through asset appreciation and income generation, while maintaining a reasonable investment risk profile.
4. Subject to performance expectations over the long term, to minimize principal fluctuations over the Time Horizon (as defined below).
5. 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".

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: domestic and international equities or equity funds, and 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, guaranteed investment contracts, and certain real estate investments, focused on interest rate risk mitigation or income investment-like returns.

"Real Return Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on real returns after inflation. Investments within the Real Return category can include inflation protected securities, commodities, and certain real estate investments.

Time Horizon

The Fund's investment objectives are based on a long-term investment horizon ("Time Horizon") of ten years or longer. Interim fluctuations should be viewed with appropriate perspective. The Committee has adopted 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.

Liquidity and Diversification

In general, the Fund may hold some cash, cash equivalent, and/or money market funds for near-term Fund liabilities and expenses (the "Fund Distributions"). Remaining assets will be invested in longer-term investments 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.

Asset Allocation

The Committee believes that to achieve the greatest likelihood of meeting the Fund'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 achieve an average total annual rate of return that is equal to or greater than the Fund's target rate of return over the long-term, as described in the section titled "Performance Expectations".

| <u>Asset Classes</u> | <u>Asset Weightings</u> | |
|---------------------------|-------------------------|---------------|
| | <u>Range</u> | <u>Target</u> |
| Growth | | |
| Domestic Equity | 13% - 53% | 33% |
| International Equity | 0% - 37% | 17% |
| Other Equity | 0% - 10% | 0% |
| Income | | |
| Fixed Income | 30% - 70% | 50% |
| Other Income | 0% - 10% | 0% |
| Real Return Assets | 0% - 10% | 0% |
| Cash Equivalents | 0% - 50% | 0% |

The Advisor and each Manager will be evaluated against their peers on the performance of the total funds under their direct management.

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 allocations breach the specified ranges, the Advisor will rebalance the assets within the specified ranges. The Advisor may also rebalance based on market conditions.

Risk Tolerance

Subject to investment objectives and performance expectations, the Fund will be managed in a style that seeks to minimize principal fluctuations over the established Time Horizon.

Performance Expectations

Over the long-term, ten years or longer, the performance objective for the Fund will be to achieve an average total annual rate of return that is equal to or greater than the Fund's target investment rate of return. Additionally, it is expected that the annual rate of return on Fund 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 Fund investments and blended benchmark comparisons for the Fund in its entirety.

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Approved:

Chief Financial Officer

Date