

RETIREMENT COMMISSION MINUTES

The Retirement Commission met on Wednesday, May 24, 2023. The following members were present: Chris Cullinan, Jason Vandever, Scott Hendrix, Brian Pinkston, Ben Cullop, David Hughes, Lindsay Ideson, Mary Ann Hardie, Ashley Marshall (representing Michael Rogers). Absent: Al Elias, Franklin Henderson. Others present: Sara Butler, Lisa Burch.

This meeting was held virtually via Zoom.

Call to Order

Jason Vandever called the meeting to order at 8:32 AM.

Approval of Minutes

The minutes from the April 2023 meeting were approved unanimously.

Member Contribution Interest Rate

Jason Vandever presented the preliminary performance of Retirement Fund investments as of April 2023 as a context to the decision about the member contribution rate. A motion was made that the member contribution accounts of each active member shall be credited on June 30, 2023 with interest at a rate of 3% in accordance with City Code. The motion was approved unanimously.

New Business

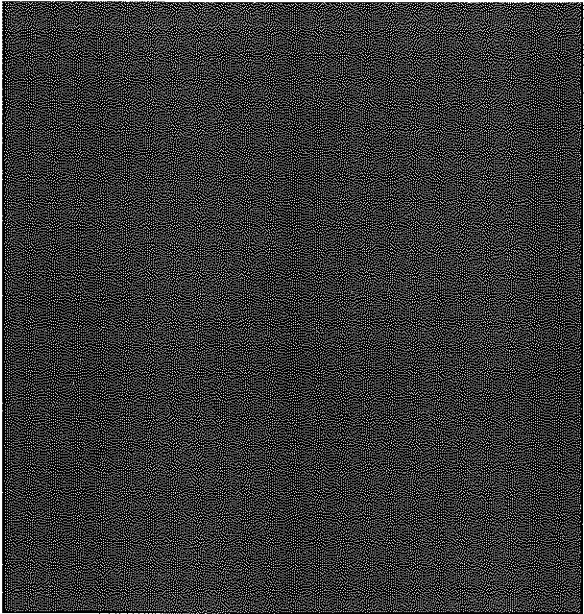
Jason Vandever reported that the contract documents from Brown Advisory have been forwarded to the City Attorney's office. As soon as the contract review is finished, the custodian transfer of the Large Cap Growth investments will move forward.

Lisa Burch informed the Commission members that City Council has directed a return to in-person meetings. Therefore, the Commission will be meeting face to face going forward.

The Commission discussed the summer meeting schedule.

Adjournment

The meeting adjourned at 9:02 AM.



INVESTMENT POLICY STATEMENT

City of Charlottesville 401(a) Plan
City of Charlottesville -Lead Team 401(a)
City of Charlottesville 457 Plan

May 2020



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-1- STATEMENT OF PURPOSE

The primary purpose of the City of Charlottesville 401(a) Plan, City of Charlottesville - Lead Team 401(a) and City of Charlottesville 457 Plan (the "Plans") are to provide a retirement benefit for Plan participants and their beneficiaries by offering the opportunity for long-term capital accumulation.

The Plan is structured to offer participants and their beneficiaries a core set of reasonably priced investment options with different risk and return characteristics, which, when combined, will allow for the construction of a portfolio intended to match most participants' unique retirement investment objectives.

Assets within the Plan may consist of contributions made by both participants and by City of Charlottesville (the "City"). All assets are subject to the investment direction of eligible participants or their beneficiaries.

-2- POLICY GOALS & OBJECTIVES

The IPS is designed to provide meaningful direction for the Investment Fiduciaries of the City and the designated Investment Consultant in the management of Plan investment options. The policies within the IPS are not binding but serve as guidelines for the Investment Fiduciary in fulfilling their responsibility to exercise considered judgment in acting solely in the long-term interest of Plan participants and their beneficiaries. The IPS is designed to serve as a general guideline. There may be specific circumstances that the Investment Fiduciary determines warrant a departure from the guidelines contained herein. In general the IPS:

- Establishes the roles and responsibilities of the Plan's Investment Fiduciary and the Investment Consultant hired to assist in the fulfillment of the Investment Fiduciary's duties;
- Identifies appropriate investment asset classes for inclusion in the Plan's menu of investment options;
- Establishes a prudent process for selecting appropriate investment options to be made available for participant direction;
- Designates an investment option to which all assets will be directed by the Plan Sponsor in the absence of a positive election by a participant or beneficiary, which will either serve as the Plan's default or Qualified Default Investment Alternative;
- Establishes a prudent process by which selected investment options generally will be monitored for compliance with this IPS; and

- Develops methods for adding new investment options and for replacing existing investment options that do not comply with the terms of the IPS.

-3- ROLES & RESPONSIBILITIES

THE COMPANY OR PLAN COMMITTEE AS INVESTMENT FIDUCIARY:

Although it is intended that participants will direct the investment of their accounts under the Plan, the Organization, as Investment Fiduciary, will select the array of investment options to be made available for participant investment, and then provide on-going oversight of those investment options.

The City has chosen to appoint a Plan Investment Committee (the "Committee") to assist in the fulfillment of its fiduciary responsibilities. (In contemplation of the continued appointment of a Committee, the words "Committee" and "Investment Fiduciary" are used interchangeably in this IPS.) The Committee will be formed and governed either by a separate document, or according to the Organization's governance structure. If the City disbands the Committee, the City shall have the ability to exercise all authority granted to the Committee.

The Committee normally will review, at least on an annual basis, the acceptability of the universe of investment options made available within the Plan's chosen administrative environment, e.g. the Plan's record-keeper and trustee / custodian. The Committee will review the Plan's investment options following the regimen outlined later in this IPS.

The Committee intends to discharge its fiduciary responsibilities with respect to the Plan with the assistance of an independent Investment Consultant.

INVESTMENT CONSULTANT:

Responsibilities of the Investment Consultant include:

- Educating the Committee on issues concerning the selection of investment options for the Plan;
- Assisting in the analysis and initial selection of investment options to be made available for participant investment;

- Assisting the Committee with the on-going review of the investment universe made available within the Plan's chosen administrative environment;
- Assisting the Committee with the review of the performance of the selected investment options, on at least an annual, but more often a quarterly basis, in comparison to their stated objectives and their relative performance and pricing as compared to their peers and designated benchmarks;
- Providing specific investment advice to the Committee with respect to the Plan on a regular basis, pursuant to a mutual understanding with the Committee that the advice will serve as a primary basis for the Committee's investment decisions, and that the advice will be individualized based on the needs of the Plan. Such advice may relate to the advisability of investing in, purchasing, holding, and selling securities or other property;
- Assisting the Committee in the selection of additional or replacement investment options to be made available for participant investment;
- Bringing information to the Committee, on an ad hoc basis as appropriate, that the Investment Consultant feels may alter the Committee's assessment of a given investment option, asset class or strategy.

-4- PLAN INVESTMENT ASSET CLASSES

The Plan's investment menu is structured in accordance with modern portfolio theory, which holds that the asset allocation decisions among a broad range of investment alternatives is the most critical determinant of a portfolio's long-term success or failure. The Committee's goal is to offer a core set of diversified investment options that represent a broad range of different asset classes with different risk and return characteristics.

The Plan's investment menu may include, but are not limited to, options from the following broad asset classes: Capital Preservation, Fixed Income, Asset Allocation, including Balanced, Target Risk, Life Cycle and/or Target Date, Domestic Equity, International Equity and Specialty. These asset classes are described in more detail in CAPTRUST's Investment Policy Monitoring Methodology document.

-5- INVESTMENT SELECTION

As mentioned, the Committee has structured the Plan to offer participants and their beneficiaries a core set of reasonably priced investment options with different risk and return characteristics. Selection of these investment options is done in the context of the Plan's administrative environment which may impact the number, type and cost of investment options available to the Plan. The Committee may also

consider the method and payment of Plan expenses, which may be altered by investment-related decisions.

Once the Committee has selected the range of asset classes to be represented within the Plan, the following screening criteria will be among those applied to the available actively managed options:

FEES – All investment options must charge “reasonable” fees to investors. The expense ratio for a given investment should generally fall below the average expense ratio for the peer group. Exceptions may be made for investment options that the Committee feels may produce performance that would justify higher than average fees.

STYLE CONSISTENCY – Since each investment option is chosen to fulfill a specific part of the Plan’s overall investment menu, investment options should have demonstrated a consistency in investment style and performance. Some variation may be allowed when an investment option’s given style moves in and out of favor, or when an investment option’s successful investments outgrow their initial investment classification.

VOLATILITY AND DIVERSIFICATION – Unless chosen to deliver investment performance that is characteristic of a specific industry or sector of the investment spectrum, investment options generally will be broadly diversified portfolios and will avoid unreasonable overweighting in a given investment, industry or sector. Volatility, as measured by Standard Deviation of returns, should be within reasonable ranges for the given peer group. Other risk measures and ratios, including Sharpe ratio, information ratio and beta, may be used as well.

PERFORMANCE – With few exceptions, all actively managed investment options should rank in the top 50% of their given peer group for the 3 or 5 year annualized period at the time of their selection. While past performance is not indicative of future returns, peer-relative performance offers the Committee perspective on how the investment option has performed over a reasonably demonstrative period of time relative to other choices. In addition to performance, the Committee should consider other variables including (but not limited to) fees, investment style purity, and risk management practices, in order to develop a holistic view about a strategy and its appropriateness within the Plan. Passively managed options do not need to meet the same ranking criteria; rather, measures such as tracking error to the stated benchmark are more important measures of performance for these options.

MANAGEMENT & ORGANIZATION – Manager tenure and industry experience are values to be emphasized, as is the strength and expertise of an investment option’s sponsoring organization. Sponsoring organizations are generally expected to adhere to accepted standards of ethical practice and to comply with all appropriate securities regulations. When necessary, preference will be given to investment management organizations with a proven commitment to the interests of long-term investors.

ADDITIONAL FACTORS – In addition to the above outlined factors, the Committee will also consider other factors, which may be less tangible, including fund specific situations and anomalies in the capital markets or in the Plan’s unique situation.

After inclusion in the Plan each investment option is expected to maintain a high level of acceptability as described in the Investment Evaluation section of this IPS.

-6- INVESTMENT EVALUATION

With the assistance of the Investment Consultant, the Committee will monitor the investment options made available within the Plan to ensure they remain compliant with the criteria used to initially select them for inclusion in the Plan under this IPS or such other or additional criteria as appropriate. As part of that process, the Committee may consider the ranking of investment options relative to their peers using a comprehensive Scoring System proprietary to the Investment Consultant. (See CAPTRUST's Investment Policy Monitoring Methodology document.)

The following criteria provide an outline for the evaluation process:

- On a quarterly basis, the Plan's Investment Consultant will provide the Committee with a comprehensive report of each investment option's relevant performance and relative rankings against appropriate indexes, and within appropriate peer groups. The Investment Consultant will review the report with the Committee at least annually, or more often as necessary and appropriate.
- The Investment Consultant will also communicate with the Committee on an ad hoc basis, as appropriate, concerning any material changes affecting any of the selected investment options. Material changes may include management changes, changes to the investment option's pricing structure or significant changes in the investment option's fundamental policies and procedures that the Investment Consultant feels warrant Committee review.
- The Committee normally will meet with the Investment Consultant, at least annually, to evaluate each investment option as well as the overall status of the Plan's IPS, if necessary.
- If the Investment Consultant's proprietary Scoring System indicates that a given investment option may no longer meet the appropriate and reasonable standards required to remain included in the Plan's menu, the Committee will take appropriate steps.

-7- REPLACEMENT OF SELECTED INVESTMENT OPTIONS

Since the intention of the Plan is to provide opportunities for long-term asset accumulation for participants and beneficiaries, it is not expected that either the investment asset classes or specific investment options will be changed or deleted frequently.

It is possible that changes may become desirable or necessary, however, based upon factors such as:

- The addition of a new asset class or investment alternative that was not a part of the Plan's initial menu. Such an addition will be subject to a similar selection regimen to that outlined earlier in the IPS;
- The elimination of a given asset class from the Plan's menu; and
- The desire to replace one of the Plan's investment options with another investment option that the Committee feels will more successfully deliver the desired asset class characteristics. Reasons may include, for example, the availability of options that were not initially open for Committee consideration, or a change in the performance or fee structure of a competing option. It may also be true that a given investment option is no longer available through the Plan's chosen administrative environment. Investment options can be removed or changed after a thorough comparative review using the regimen outlined earlier in the IPS; and
- The need to replace or eliminate one of the Plan's investment options after noncompliance with this IPS has been established, or appears likely.

-8- CONCLUSION

It is understood that the guidelines set forth in this statement are meant to serve as a general framework for prudent management of the assets of the Plan. Changing market conditions, economic trends or business needs may necessitate modification of this IPS. Until such modification, this document will provide the investment objectives and guidelines for the Plan's assets, subject to the caveats stated herein. This IPS may be modified by written approval of a majority of the Committee members or, if no such Committee exists, by the Plan Sponsor.

Approved by City of Charlottesville, and adopted on this _____ day of _____, 2020.

Signature, Title

Signature, Title

Signature, Title

Signature, Title

Signature, Title

Signature, Title

Signature, Title

Signature, Title

Witnessed by CAPTRUST Financial Advisors & adopted on this _____ day of _____, 2020.

Signature, Title



CAPTRUST

QUALIFIED DEFAULT INVESTMENT ALTERNATIVE ADDENDUM

Qualified Default Investment Alternatives (QDIAs) are specific investment vehicles that are used when a plan participant or beneficiary fails to make affirmative investment elections. After reviewing the demographics of the Plan, the Committee has decided to use a series of Target Date Funds to function as the Plan's QDIA.

Sec. 19-57. Created; purpose; composition.

- (a) There is hereby created a commission, to be known as the retirement plan commission, whose duty it shall be to administer the supplemental retirement or pension plan of the city in accordance with the provisions of this article and of article IV of this chapter.
- (b) The commission shall be comprised of a member of city council, the city manager, the director of finance, the director of human resources, the city treasurer, three (3) employees of the city or of any other agency participating in the city supplemental retirement or pension plan, one (1) retiree in the city's plan, and two (2) members of the community.

(Code 1976, § 20-12; 3-7-94; 9-18-00; 3-19-12, § 1, eff. 7-1-12)