

**CITY OF ANN ARBOR
RETIREE HEALTH CARE BENEFIT PLAN & TRUST**

INVESTMENT POLICY STATEMENT

Updated
October 7, 2021

The purpose of this document is to set forth the goals and objectives of the City of Ann Arbor Retiree Health Care Benefit Plan & Trust (“VEBA”), and to establish guidelines for the implementation of investment strategy.

Any revisions to this document may be made only with the approval of the Board of Trustees of the VEBA.

The Trustees of the VEBA recognize that a stable, well-articulated investment policy is crucial to the long-term success of the VEBA. As such, the Trustees have developed this Investment Policy Statement with the following goals in mind:

- To clearly and explicitly establish the objectives and constraints that govern the investment of the VEBA’s assets,
- To establish a long-term target asset allocation with a high likelihood of meeting the VEBA’s objectives given the explicit constraints, and
- To protect the financial health of the VEBA through the implementation of this stable investment policy.

I. VEBA Goals

The goal of the VEBA is to provide health and life insurance benefits or such other benefits approved by the City or approved by collective bargaining agreements for the welfare of certain Retirees of the City who are eligible to receive a retirement benefit from the City of Ann Arbor Employees' Retirement System (the "Retirement Plan") and the eligible Dependents of such Retirees.

II. Investment Objectives

The primary investment objective is to earn, over the long run, the approved actuarial rate of return on the total investment portfolio (currently 7.0%). In targeting such a return, the VEBA will seek to:

- operate with a high degree of prudence,
- sufficiently diversify assets to reduce risk to the overall portfolio,
- consider fees appropriate to the various investment structures, and
- cultivate a motivated team of dedicated professionals.

It is understood that to meet the return objective of the fund, equity risk must be assumed.

III Roles and Responsibilities

A. Responsibilities of the Board

1. As the "named fiduciary" of the VEBA, the Board has full discretion and authority in the management of the VEBA's assets.
2. The Board authorizes the creation of committees, including the Investment Policy Committee (IPC), to oversee the investments of the VEBA.
3. The responsibilities include:
 - a. Establishment and development of an Investment Policy Statement, including the overall asset allocation policy, and the periodic review of the Investment Policy Statement and recommendation of modifications when necessary
 - b. Monitoring of overall investment performance and assessment of portfolio risk.
 - c. Selection, retention, monitoring, and termination of Investment Managers.

B. Responsibilities of the Investment Policy Committee

1. The IPC will, in consultation with the Investment Consultant, monitor and review the investment performance of the VEBA and the Investment Managers to determine the achievement of the performance objectives and adherence to the Investment Policy and Manager Guidelines.
2. The IPC will, in consultation with the Investment Consultant, recommend asset allocation target changes and IPS changes to the Board.
3. The IPC will, in consultation with the Investment Consultant, provide recommendations to the Board for selection, retention, and termination of Investment Managers and other service providers, such as transition managers, commission recapture brokers, and proxy voting services.
4. The IPC will, in consultation with the Investment Consultant, evaluate and perform periodic due diligence on the Investment Managers in the VEBA.
5. The IPC may make transfers and rebalances among asset classes and Investment Managers, as long as such transfers do not result in violation of the asset allocation policy.

a. Rebalancing When an Asset Class is Outside of its Target Range

The IPC, after consultation with the Investment Consultant, may instruct the Executive Director to rebalance allocations within the specified target ranges. The Executive Director will work with the Investment Consultant to implement the rebalancing, while taking into consideration both risks and transaction costs.

b. Rebalancing When an Asset Class is Within its Target Range

Rebalancing within target ranges may introduce an element of tactical asset allocation. The IPC, after consultation with the Investment Consultant, may instruct the Executive Director to rebalance allocations within the specified target ranges. The Executive Director will work with the Investment Consultant to implement the rebalancing, while taking into consideration both risks and transaction costs.

C. Responsibilities of the Executive Director

The Executive Director has been delegated the responsibility for the oversight of the VEBA. The Executive Director's responsibilities include:

1. To keep the Board informed of any significant events that impact the VEBA and recommend changes in approved policy, guidelines and objectives, as appropriate.
2. To provide the day-to-day oversight of the office operations.
3. To act as the primary contact between the Board, the members, the Managers, the Consultant, the Actuary, the Auditors, the Custodian, and any other parties involved in the management of the VEBA's assets.
4. To perform any other duties as may be described in this policy, applicable State and Federal laws, or as delegated by the Board.
5. The Board delegates the Executive Director the authority to rebalance under the scenario below.

Liquidity Need (i.e., for payment of the ongoing administrative expenses of the VEBA and/or payment of benefits).

The schedule of the cash flows will be reviewed quarterly at IPC meetings. As necessary, the Executive Director will work with the Investment Consultant to identify appropriate sources of cash, within each asset class's target allocation and liquidity. The Executive Director shall have the authority to act upon recommendations from the Investment Consultant.

D. Responsibilities of the Investment Consultant

- The Board is advised by an independent third-party investment consulting and advisory firm. The Investment Consultant acknowledges its responsibilities as a "fiduciary" of the VEBA and assists the VEBA under Act 314 of 1965, as amended ("Act 314"). The Investment Consultant acknowledges that it is a registered investment advisor under either the Investment Advisors Act of 1940 or the Michigan Uniform Securities Act. The Investment Consultant shall assist The VEBA in striving to achieve the goals and objectives as stated in sections I and II and shall offer investment advice consistent with the investment objectives, policies, guidelines and constraints as established in this Investment Policy Statement.
- The Investment Consultant will provide advice and recommendations that will serve as a primary basis for the

Board's decisions with respect to Fund assets, including the development of an investment policy, asset allocation strategy and investment manager structure.

- The Investment Consultant will monitor, on an ongoing basis, the performance of the VEBA and its investment managers and assist the Board in interpreting the results. The Investment Consultant shall provide the Board with performance reports and ongoing quality control to assure that the Board's standards and investment objectives are maintained. Performance reports generated by the Investment consultant shall be compiled at least quarterly and communicated to the Board for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks.
- The Board's Investment Consultant shall monitor the investment of the Retirement System's assets with regards to the asset limitations under Act 314 and compliance with the Asset Allocation Targets and guidelines as established in Appendix C.
- The Investment Consultant will identify, evaluate and recommend the selection and termination of Investment Managers, as appropriate.

E. Responsibilities of Investment Manager

- Each Investment Manager acknowledges its responsibility as an investment fiduciary under Act 314. Each Investment Manager acknowledges that it is a registered investment advisor under either the Investment Advisors Act of 1940 or the Michigan Uniform Securities Act. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its control, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement.
- Each Investment Manager is expected to manage the VEBA's assets in a manner consistent with the investment objectives, guidelines, and constraints in accordance with applicable State and Federal laws, including Michigan Public Act 314 of 1965, as amended.

- Each Investment Manager will manage the assets consistent with the investment objectives, guidelines, and constraints outlined in this Investment Policy Statement and the Manager Guidelines, which will be provided at the time of hire.
- The Investment Manager is responsible for communicating with the Board regarding all significant matters pertaining to the investment of the VEBA's assets. The Board shall be kept apprised of substantive changes in investment strategy, asset mix, portfolio structure, and market value of the VEBA's assets.

F. Responsibilities of the Crisis Management Team

The Board recognizes that, in rare instances, investment exigencies or another type of Crisis (as defined in the Crisis Response Document attached in appendix D) may arise, which may require urgent action between regularly scheduled meetings of the Board. To properly address and react to such instances in a timely manner, the Board hereby delegates crisis-related decision making to a "Crisis Response Team" (CRT), which will determine the appropriate course of action.

The Crisis Response Team will have the authority to take any necessary action as shall be recommended by the Investment Consultant between regular meetings of the Board at any time that a Crisis occurs. All decisions of the Crisis Response Team must be agreed to by all members of the Crisis Response Team (or their alternates), and will be deemed to be final and binding on all parties (without any further action of the Board).

IV. Investment Constraints

A. Legal and Regulatory

The Trustees intend that the assets of the VEBA at all times are invested in accordance with the provisions of Michigan State laws and, specifically, the State of Michigan Public Employee Retirement System Investment Act (Act 314 of 1965, as amended). The Trustees will retain legal counsel when appropriate to review contracts and provide advice with respect to applicable statutes and regulations.

B. Time Horizon

The VEBA operates on a going-concern basis. The assets of the VEBA will be invested with an intermediate- to long-term time horizon, consistent with the goal of meeting benefit payments.

C. Liquidity

The VEBA may experience significant cash inflows and outflows. The VEBA could be vulnerable if large withdrawals were to coincide with sharp market declines. Therefore, stability and liquidity are significant concerns, and the VEBA will maintain significant allocations to low-volatility, liquid assets.¹

D. Tax Considerations

The VEBA is a tax-exempt entity. Therefore, investments and strategies will be evaluated only on a basis that is indifferent to taxable status, except where the prospect of Unrelated Business Taxable Income (UBTI) is a concern.

V. Risk and Return Considerations

The Trustees accept the risks associated with investing in the capital markets (market risks), but will minimize wherever possible those risks for which the VEBA is unlikely to be compensated (non-market or diversifiable risks).

VI. Diversification

The Trustees of the VEBA recognize that an important element of risk control is diversification. Therefore, investments will be allocated across multiple classes of assets, chosen in part for the expected correlation of their returns. Within each asset type, the Trustees will seek to distribute investments across many individual holdings, thus expecting to further reduce volatility. In addition, each investment manager's guidelines will specify the largest permissible investment in any one asset, and will set other diversification requirements.

VII. Asset Allocation

The Trustees recognize that the allocation of monies to various asset classes will be the major determinant of the VEBA's return and risk experience over time. Therefore, the Trustees will allocate investments across those asset classes that, based on historical and expected returns and risks, provide the highest likelihood of meeting the VEBA's investment objectives.

A. Permissible Asset Classes

Not all asset types will be appropriate for the VEBA. In Appendix A, the Trustees have listed the asset classes that may be utilized for the VEBA's investments.

¹ Liquid assets are defined as those vehicles that provide for at least monthly withdrawals.

B. Expected Returns, Risks, and Correlations for Permissible Asset Classes

The risk and return behavior of the VEBA will be driven primarily by the allocation of investments across asset classes. In determining the appropriate allocation, the expected return and risk behavior of each asset class and the likely interaction of various asset classes in a portfolio are to be considered. Appendix B lists the expected return, volatility, and correlations for the major asset classes.

C. Long-Term Target Allocations

Based on the investment objectives and constraints of the VEBA, and on the expected behavior of the permissible asset classes, the Trustees will specify a long-term target allocation for each class of permissible assets. These targets will be expressed as a percentage of the VEBA's overall market value, surrounded by a band of permissible variation resulting from market forces.

The long-term target allocations are intended as strategic goals, not short-term imperatives. Thus, it is permissible for the overall VEBA's asset allocation to deviate from the long-term target, as would likely occur during manager transitions, asset class restructurings, and other temporary changes in the VEBA. Deviations from targets that occur due to capital market changes are discussed below.

The VEBA's target allocations and ranges for all permissible asset classes are shown in Appendix C.

D. Rebalancing

In general, cash flows to and from the VEBA will be allocated in such a manner as to move each asset class toward its target allocation.

The Trustees recognize that, periodically, market forces may move the VEBA's allocations outside the target ranges. The Trustees recognize that failing to rebalance the allocations would unintentionally change the VEBA's structure and risk posture. Consequently, the Trustees have established a process to rebalance the allocations periodically.

On at least an annual basis, if any strategic allocation is outside the specified target range, assets will be shifted to return the strategy to within target range. The specific plan for rebalancing will identify those assets that can be shifted at the lowest possible risk and cost, if the rebalancing cannot be accomplished solely by allocating contributions, withdrawals, and other cash flows.

VIII. Review of Investment Policy, Asset Allocation, and Performance

The Investment Policy Statement will be reviewed at least annually to ensure that the objectives and constraints remain relevant. However, the Trustees recognize the need for a stable long-term policy for the VEBA, and major changes to this policy statement will be made only when significant developments in the circumstances, objectives, or constraints of the VEBA occur.

The asset allocation of the VEBA will be reviewed on an on-going basis, and at least annually. When necessary, such reviews may result in a rebalancing of asset allocations. In general, the Trustees intend that the VEBA will adhere to its long-term target allocations, and that major changes to these targets will be made only in response to significant developments in the circumstances, objectives, or constraints of the VEBA or in the capital market opportunities.

The Trustees will specifically evaluate the performance of the VEBA relative to its objectives and to the returns available from the capital markets during the period under review. In general, the Trustees will utilize relative, rather than absolute, returns in evaluating performance. The total performance of the VEBA will be evaluated relative to the investment objectives and constraints identified in this investment policy statement. Specifically, the total Fund performance will be evaluated relative to a “custom benchmark” that weights the returns of available market indices on the basis of the VEBA’s target investment structure, to assess the implementation of the VEBA’s investment strategy.

IX. Investment Costs

The Trustees intend to monitor and control investment costs at every level of the VEBA.

- Professional fees will be negotiated whenever possible.
- Where appropriate, passive portfolios will be used to minimize management fees and portfolio turnover.
- If possible, assets will be transferred in-kind during manager transitions and VEBA restructurings to eliminate unnecessary turnover expenses.
- Managers will be instructed to minimize brokerage and execution costs.

X. Voting of Proxies

The Trustees recognize that the voting of proxies is important to the overall performance of the VEBA. The Trustees have delegated the responsibility of voting all investment proxies to the investment managers. The Trustees expect that managers will execute all proxies in a timely fashion. Also, the Trustees

expect the managers to provide a full accounting of all proxy votes, and upon request, a written explanation of individual voting decisions.

For all proxies that could not otherwise be voted by an investment manager, such as those related to governance of the manager's investment vehicle, the Trustees delegate the responsibility to the Investment Policy Committee.

XI. Investment Manager Guidelines

The Investment Consultant and the IPC will provide specific Manager Guidelines for each investment manager in the VEBA. The Board acknowledges that commingled investment vehicles and mutual funds will be managed in accordance to the policies outlined in the funds' prospectus or similar governing documents.

This Investment Policy Statement is hereby found acceptable to the Trustees, and the Trustees hereby adopt this Investment Policy Statement effective as of October 7, 2021.

TRUSTEE

TRUSTEE

Brock Hastie

Tony DiGiovanni
Tony DiGiovanni (Jan 28, 2022 09:05 EST)

Name: Brock Hastie

Name: Tony DiGiovanni

This Investment Policy Statement is hereby acknowledged and accepted by the Investment Consultant, effective as of October 7, 2021.

MEKETA INVESTMENT GROUP

Henry Jaung

Name: Henry Jaung

Title: Consultant & Principal

APPENDIX A
PERMISSIBLE ASSET CLASSES

Asset Class
Public Domestic Equity
Public Foreign Equity
Emerging Market Equity
Private Equity
Investment Grade Bonds
TIPS
High Yield Bonds
Bank Loans
Emerging Market Debt
Real Estate
Real Estate Debt
Natural Resources
Infrastructure
Private Debt

APPENDIX B
Meketa Investment Group 2021 Annual Asset Study
Twenty-Year Annualized Return and Volatility Expectations for Major Asset Classes

Asset Class	Annualized Compounded Return (%)	Annualized Average Return (%)	Annualized Standard Deviation (%)
Rate Sensitive			
Cash Equivalents	1.1	1.1	1.0
Investment Grade Bonds	1.8	1.9	4.0
Long-term Government Bonds	2.5	3.2	12.0
TIPS	1.8	2.0	7.0
Credit			
High Yield Bonds	4.2	4.8	11.0
Bank Loans	4.0	4.4	9.0
Emerging Market Bonds (major; unhedged)	3.7	4.3	11.0
Emerging Market Bonds (local; unhedged)	3.9	4.9	14.0
Direct Lending	6.7	7.7	14.0
Mezzanine Debt	6.9	8.2	16.0
Distressed Debt	7.0	9.2	21.0
Equities			
Public US Equity	6.8	8.4	18.0
Public Developed Market Equity	7.1	8.9	19.0
Public Emerging Market Equity	8.1	11.0	24.0
Private Equity Composite	9.1	13.0	28.0
Real Assets			
REITs	7.2	10.6	26.0
Core Private Real Estate	5.5	6.2	12.0
Value Added Real Estate	7.2	9.7	20.0
Opportunistic Real Estate	9.2	12.6	26.0
High Yield Real Estate Debt	6.0	7.6	18.0
Natural Resources (Private)	8.3	11.0	23.0
Commodities	3.7	5.1	17.0
Infrastructure (Core)	7.0	8.0	14.0
Infrastructure (Non-Core)	9.0	11.4	22.0
Other			
Hedge Funds	4.3	4.5	7.0

APPENDIX B

CORRELATION EXPECTATIONS FOR MAJOR ASSET CLASSES¹

	Investment Grade Bonds	TIPS	High Yield Bonds	US Equity	Developed Market Equity	Emerging Market Equity	Private Equity	Real Estate	Natural Resources (private)	Commodities	Core Infrastructure (private)	Hedge Funds
Investment Grade Bonds	1.00											
TIPS	0.77	1.00										
High Yield Bonds	0.23	0.41	1.00									
US Equity	0.02	0.19	0.75	1.00								
Developed Market Equity	0.10	0.24	0.76	0.89	1.00							
Emerging Market Equity	0.15	0.33	0.75	0.78	0.87	1.00						
Private Equity	0.00	0.05	0.70	0.85	0.80	0.75	1.00					
Real Estate	0.20	0.10	0.50	0.50	0.45	0.40	0.45	1.00				
Natural Resources (private)	0.10	0.10	0.45	0.65	0.60	0.60	0.60	0.45	1.00			
Commodities	0.02	0.31	0.54	0.53	0.60	0.65	0.30	0.15	0.65	1.00		
Core Infrastructure (private)	0.30	0.30	0.60	0.55	0.55	0.50	0.45	0.60	0.60	0.35	1.00	
Hedge Funds	0.05	0.26	0.78	0.86	0.88	0.86	0.60	0.45	0.65	0.67	0.60	1.00

¹ Based on Meketa Investment Group's 2021 Asset Allocation Study.

APPENDIX C
ASSET ALLOCATION TARGETS
 Adopted in October 2021

	Target	Range	Policy Benchmark
Domestic Equity	33%	27% to 39%	Russell 3000
Developed Foreign Equity	12%	9% to 15%	MSCI EAFE
Emerging Markets Equity	7%	0% to 10%	MSCI EM
Private Equity	5%	0% to 8%	Russell 3000 + 3% ¹
Investment Grade Bonds	10%	5% to 20%	Barclays Aggregate
TIPS	2%	0% to 5%	Barclays U.S. TIPS
High Yield Bonds	4%	0% to 6%	Barclays High Yield
Bank Loans	0%	0% to 5%	CSFB Leveraged Loan
Emerging Markets Debt	0%	0% to 5%	JPM GBI-EM Global Div.
Private Debt	7%	0% to 10%	Credit Suisse Leveraged Loans +1.5%
Real Estate	9%	2% to 12%	NCREIF ODCE EW
Real Estate Debt	1%	0% to 3%	Cambridge Associates Non-Core Real Estate
Natural Resources	3%	0% to 5%	DJ-UBS Commodity
Infrastructure (7%	0% to 10%	DJ Brookfield Global Infrastructure
Cash	0%	< 5%	NA

¹ Lagged one quarter

APPENDIX D
Approved October 7, 2021

**CITY OF ANN ARBOR RETIREE HEALTH
CARE BENEFIT PLAN & TRUST**

CRISIS RESPONSE PLAN

The Board recognizes that, in rare instances, investment exigencies or another type of Crisis (as defined below) may arise, which may require urgent action in between regularly scheduled meetings of the Board. To properly address and react to such instances in a timely manner, the Board hereby delegates crisis-related decision making to a “Crisis Response Team” (CRT), which will determine the appropriate course of action. Upon notification to the CRT from the Investment Consultant regarding a Crisis and the need for an appropriate response, the CRT will determine if a Board Meeting is appropriate given the nature and circumstances of the crisis. It is understood that the CRT will utilize reasonable efforts to contact the individual Board members and convene a full Board meeting in accordance with the Open Meetings Act to manage the Crisis. However, the Board recognizes that it may not be feasible to arrange for a special meeting of the Board in light of the nature of the Crisis, the notice requirements of the Open Meetings Act and/or the availability of Board Trustees. In the event the CRT determines that a Board Meeting is not prudent under the circumstances, the Board by the adoption of this policy authorizes the CRT to take any and all actions necessary to manage and address the Crisis.

The Crisis Response Team shall consist of three (3) members: the Chairperson and Vice-Chairperson of the Investment Policy Committee (IPC) and the Retirement Board Chairperson. In the event one (1) or more of the Crisis Response Team members are unavailable to participate in any decision necessary in response to a Crisis, the following alternates (in order of preference) shall serve on the Crisis Response Team (unless already serving by virtue of serving as the Chair or Vice-Chair of the IPC): the Board Vice-Chair; the APC Chairperson; the Audit Committee Chairperson; or any other Board member. The Executive Director has an important role in supporting the Crisis Response Team and facilitating any required actions.

In the event that the Investment Consultant is of the opinion that a Crisis exists, the Investment Consultant will (i) identify and describe the precise nature of the crisis or emergency; and (ii) notify all Board members, the Executive Director and the Crisis Response Team, including the alternate members, via email and telephone if necessary, regarding the situation and provide a written recommendation for action.

A “Crisis” is an event that warrants immediate action to ensure that VEBA’s assets are protected as determined by the Investment Consultant with the unanimous concurrence of the Crisis Response Team. Examples of a Crisis include, but are not limited to, the following:

- (a) The departure of one or more critical members of an Investment Manager’s, Commingled Fund’s, Alternative Investment Fund’s, Custodian’s, or Investment Consultant’s professional service team.
- (b) A lawsuit, government investigation or audit, or other major event involving an Investment Manager, Commingled Fund, Alternative Investment Fund, the Custodian or the Investment Consultant.
- (c) The occurrence of war, terrorism, a natural disaster, or other event materially affecting VEBA’s assets or the investment thereof.

The Crisis Response Team will have the authority to take any necessary action as shall be recommended by the Investment Consultant between regular meetings of the Board at any time that a Crisis occurs. All decisions of the Crisis Response Team must be agreed to by all members of the Crisis Response Team (or their alternates), and will be deemed to be final and binding on all parties (without any further action of the Board).

APPENDIX D
Approved October 7, 2021

**CITY OF ANN ARBOR RETIREE HEALTH
CARE BENEFIT PLAN & TRUST**

CRISIS RESPONSE PLAN









Following any such decision(s), prompt notice, including the initial written recommendation from the Investment Consultant, shall be given by the Executive Director to the Board concerning:

- (a) the nature and scope of the crisis;
- (b) its potential economic impact on the VEBA's portfolio;
- (c) the method of resolution; and
- (d) the specific rationale(s) supporting the decision.

Approved by the Board of Trustees: October 7, 2021

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**CITY OF ANN ARBOR
RETIREE HEALTH CARE BENEFIT & TRUST**

**INVESTMENT POLICY STATEMENT
ADDENDUM**

July 20, 2023

I. Rebalancing Plan

Rebalancing the portfolio to the desired asset allocation during periods of heightened volatility is an important part of managing the overall asset allocation of the portfolio. Accordingly, when time is of the essence due to heightened volatility, the Board has delegated its authority to rebalance the portfolio to the IPC. The IPC has adopted a process that addresses the steps to be taken during such events.

Rebalancing Process During a Market Drawdown

Market Drawdown	Step 1 Action to be Taken	Step 2 The Meeting	Proposed Rebalancing Plan
Approaching 15%	<ul style="list-style-type: none"> As the drawdown approaches 15%, the Investment Consultant will initiate a special meeting with IPC members or a sub-set of designated members. The Executive Director will post the special meeting on the website and at the Retirement System office to ensure adherence to the Open Meetings Act. 	<ul style="list-style-type: none"> Meet with IPC members or designated subset of the IPC The meeting will review the recent events and the impact to the asset allocation. The Investment Consultant will review the market sentiments and market valuation with the IPC. The IPC will examine the next course of action: rebalance or no action. 	<ul style="list-style-type: none"> The IPC and the Consultant together will determine which equity sleeve(s) will be brought to target weight(s) Funding sources will be determined by the IPC members in consultation with the Consultant. Approval of the proposed rebalancing must be made by a majority of the IPC members.
Additional 10% (25% total drawdown)	<ul style="list-style-type: none"> As the drawdown approaches an additional 10%, the Investment Consultant will initiate a special meeting with IPC members or a sub-set of designated members. The Executive Director will post the special meeting on the website and at the Retirement System office to ensure adherence to the Open Meetings Act. 	<ul style="list-style-type: none"> Meet with IPC members or designated subset of the IPC The meeting will review the recent events and the impact to the asset allocation. The Investment Consultant will review the market sentiments and market valuation with the IPC. The IPC will examine the next course of action: rebalance or no action. 	<ul style="list-style-type: none"> The IPC and the Consultant together will determine which equity sleeve(s) will be brought to target weight(s) plus up to an additional 2% Funding sources will be determined by the IPC members in consultation with the Consultant. Approval of the proposed rebalancing must be made by a majority of the IPC members.

Rebalancing Process During a Market Drawdown (continued)

Market Drawdown	Step 1 Action to be Taken	Step 2 The Meeting	Proposed Rebalancing Plan
Additional 10% (35% total drawdown)	<ul style="list-style-type: none"> • As the drawdown approaches an additional 10%, the Investment Consultant will initiate a special meeting with IPC members or a sub-set of designated members. • The Executive Director will post the special meeting on the website and at the Retirement System office to ensure adherence to the Open Meetings Act. 	<ul style="list-style-type: none"> • Meet with IPC members or designated subset of the IPC • The meeting will review the recent events and the impact to the asset allocation. • The Investment Consultant will review the market sentiments and market valuation with the IPC. • The IPC will examine the next course of action: rebalance or no action. 	<ul style="list-style-type: none"> • The IPC and the Consultant together will determine which equity sleeve(s) will be brought to target weight(s) plus up to an additional 5% • Funding sources will be determined by the IPC members in consultation with the Consultant. • Approval of the proposed rebalancing must be made by a majority of the IPC members.

- A market drawdown is measured by the Russell 3000 Index for U.S. equities and the MSCI ACWI ex-U.S. Index for Non-U.S. equities.
- The U.S. equity and Non-U.S. equity exposures will be viewed independently of each other.
- The Investment Consultant will initiate the special meeting(s) as the market conditions change.