



STATEMENT OF INVESTMENT POLICY
City and County of Broomfield
Pension Plan for General Employees

I. Background

City and County of Broomfield ("Plan Sponsor") maintains the following employee defined benefit plan ("Plan") on behalf of its employees:

(a) Pension Plan for General Employees

The purpose of this plan is to provide retirement and incidental benefits for regular, full-time employees of the employer who meet eligibility requirements. The plan is established and shall be maintained for the exclusive benefit of the eligible employees of the employer and their beneficiaries. The Plan's overall goal is to pay benefits as delineated under the Broomfield Municipal Code (BMC) in such a way that the cost and risk are manageable for the Plan Sponsor.

With respect to its governance, the Plan provides for a Pension Committee ("Committee") for matters relating to the investment of Plan assets. The City and County of Broomfield ("Employer") is responsible for administration and operation of the Plan. The Committee is responsible for establishing and maintaining an Investment Policy Statement ("Statement") with respect to the assets held in the trust established pursuant to the Plan.

Additionally, among the responsible parties for the management and operation of the Plan are:

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| Plan Sponsor: | City and County of Broomfield |
| Investment Consultant: | Cook Street Consulting, Inc. |
| Recordkeeper: | Wells Fargo Institutional Retirement and Trust |
| Custodian: | Wells Fargo Institutional Retirement and Trust |
| Actuary: | Paul W. Barker, FSA |
| Fund Investment Managers: | See Appendix 1 |

II. Purpose

The purpose of this Statement is to establish guidelines for the Plan's investment portfolio ("Portfolio") in the areas that most influence the investment returns and funded status of the Plan. The Statement also incorporates accountability standards that will be used to monitor the progress of the Portfolio's investment program and to evaluate the contributions of the Investment Consultant hired on behalf of the Plan and its beneficiaries. The Committee is responsible for supervising the investment of all assets owned by, or held for, the Plan Sponsor. The nature of this Statement is characterized by the following:

- (a) This Statement sets forth in a written document the investment objectives, general attitudes, expectations and guidelines that govern the activities of the Committee and other parties the Committee may retain to supervise and monitor the investment of Plan assets. The investment policies for the Plan contained herein have been formulated consistent with the Plan Sponsor's anticipated financial needs and in consideration of the Plan Sponsor's tolerance for assuming investment and financial risk, as reflected in the opinion of the Committee.
- (b) Policies contained in this Statement are intended to provide boundaries, where necessary, for ensuring that the Plan's investments are managed consistent with the short- and long-term financial goals of the Plan. At the same time, the policies are intended to provide the Plan with sufficient flexibility to accommodate changes in capital market conditions and in the Plan Sponsor's financial circumstances.
- (c) Language contained herein is intended to encourage effective communications between the Committee and all parties involved with the investment management of the Portfolio.
- (d) This Statement applies only to the Pension Plan for General Employees, and does not apply to any other employee benefit or pension plan that may be sponsored by the Employer.

III. Roles and Responsibilities

1. The Employer: The Employer's responsibilities include:

- (a) ensuring the existence of the Committee;
- (b) appointment of a trustee or other investment manager;
- (c) employment of an enrolled actuary who shall be responsible for the preparation of the actuarial statement;
- (d) appointment or employment for the Plan any agents it deems advisable, including, but not limited to, an Investment Consultant and legal counsel;
- (e) receipt and review the valuation of the Plan made by the enrolled actuary;
- (f) obtaining cash flow projections and other required data from the enrolled actuary, in order to establish general investment objectives and supply such data so that an appropriate investment policy consistent with these objectives can be maintained;
- (g) authorization of investment of pension funds;
- (h) amendment of the Plan in conformance with section 2-20-300, Broomfield Municipal Code; and
- (i) oversight of the Committee, the Investment Consultant, and other appointed agents.

2. The Committee: The Committee's responsibilities include:

- (a) maintenance and adoption of this Statement;
- (b) prudently diversifying the Plan's assets to meet an agreed upon risk/return profile;
- (c) establishing a prudent process for selecting the Investment Managers;

- (d) monitoring, controlling, and accounting for all investment, recordkeeping, custodial, and administrative expenses associated with the Plan;
- (e) in coordination with the Employer, monitoring and supervising the Investment Consultant and the Investment Managers;
- (f) making recommendations to the Employer regarding the selection of a Plan trustee and the employment of Plan actuaries, accountants and professionals (including all Investment Managers and the Investment Consultant);
- (g) maintaining comprehensive written records of all decisions and decision-making processes in order to establish and demonstrate procedural prudence on the part of the Committee; and
- (h) avoiding prohibited transactions.

The Committee has also elected to retain an Investment Consultant to provide advice with respect to the selection and monitoring of Investment Managers. The Investment Consultant hereby represents and warrants that it is (and will remain during the term of its engagement) a fiduciary to the Plan as defined in Section 3(21)A of ERISA.

3. The Investment Consultant: The Committee has retained Cook Street Consulting, Inc. (“Investment Consultant”) as the consultant to the Committee. In accordance with its agreement with the Committee, the Investment Consultant has the following responsibilities:
 - (a) *Selection of Investment Managers.* The Investment Consultant will apply the criteria contained in Part V of this Statement, applicable State and Federal law, the Uniform Prudent Investor Act, and such other criteria as it considers appropriate, to assist the Committee with respect to the selection of Investment Managers;
 - (b) *Performance Monitoring.* The Investment Consultant will monitor the performance, fees, and characteristics of the Investment Managers and advise the Committee as to recommended changes with respect to the Investment Managers. The Investment Consultant shall advise the Committee of its analysis of the Investment Managers on a regular basis; and
 - (c) *Changes to Investment Managers.* The Investment Consultant will apply the criteria contained in Part V and Part VI of this Statement and such other criteria as the Investment Consultant considers appropriate to provide advice to the Committee as to removing, placing on watch, freezing additional investment, or other action with respect to the Investment Managers.
4. The Fund Investment Managers. As distinguished from responsibilities of the Committee and the Investment Consultant, fund investment managers (“Investment Manager(s)”) manage the plan assets and are fiduciaries responsible for making investment decisions (security selection and price decisions). The specific duties and responsibilities of each Investment Manager are to:
 - (b) manage the assets under their supervision in accordance with the guidelines and objectives outlined in their respective Prospectus or Trust Agreement;
 - (c) exercise full investment discretion with regards to buying, managing, and selling assets held in the portfolios; and
 - (d) where applicable, vote promptly all proxies and related actions in a manner consistent with the long-term interest and objectives of the investors in the fund. It is expected that Investment Managers keep records of the voting of proxies and related actions in compliance with all applicable regulatory obligations.
5. The Recordkeeper. The specific duties and responsibilities of the Recordkeeper are to:
 - (a) prepare participant statements;
 - (b) distribute benefit obligations; and

- (c) provide accurate and timely Plan data and reports to the Plan Sponsor, Committee, and/or Investment Consultant as included in their service agreement.
6. **The Custodian.** The Custodian is responsible for the holding of the Plan's assets. The specific duties and responsibilities of the Custodian are to:
 - (a) maintain separate accounts (where applicable);
 - (b) value the holdings;
 - (c) collect all income and dividends owed to the Plan;
 - (d) settle all transactions (buy-sell orders); and
 - (e) provide reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall portfolio since the previous report.
7. **The Actuary.** The specific duties of the Actuary are to:
 - (a) evaluate the status of the Plan and its funding policies;
 - (b) forecast the Plan's future financial needs;
 - (c) provide the Plan Sponsor with information required for financial accounting; and
 - (d) annually submit the Actuarial Valuation to the Committee for its approval.

IV. Asset Allocation

To ensure that the Plan meets its overall goal, the Plan will seek to achieve and maintain a fully funded position with regard to current pension liabilities. The strategy for achieving and maintaining this status may vary with the current funded status and other parameters related to the overall goal. Therefore, the asset allocation process is dynamic, as described below:

1. Plan assets must be used for the exclusive purpose of providing benefits to participants and beneficiaries and defraying reasonable costs of administering the Plan. For the Plan, this means Plan assets must be used to pay the benefits under the BMC. By measuring and understanding the liability (obligation) represented by these benefits, the asset allocation should be designed to best meet the overall goal. Asset allocation decisions will be based then on the returns and risks relative to the liability. This approach does not preclude taking risk; rather it reframes risk, from absolute basis investing (total-return investing) to liability-driven investing.
2. The Committee accepts, in principle, the premise that the strategic allocation of the Portfolio across the broadly-defined financial asset classes will be the most significant determinant of long-term investment returns and asset value stability. These asset classes are equity (domestic, international and/or real estate) and fixed income/cash (of various durations and exposures).
3. The Committee expects that the equity asset class will be the highest returning asset class over the long-term investment horizon for which the Plan is anticipated to operate. The Committee therefore recognizes the need to commit a portion of assets to equity investments in pursuit of the Plan's return objectives. However, this exposure will decline as the Portfolio objective focuses on reducing risk. Plan changes that alter the investment horizon may change the appropriate investment strategy.
4. For a traditional pension plan, fixed income is the primary way to reduce pension risk and moderate the Plan's funded status volatility. It is also expected to generate current income, diversify the Portfolio's sources of return, and provide some downside protection against the possibility of a prolonged decline in the value of the Portfolio's equity investments.
5. Cash investments will, under normal circumstances, be considered temporary holdings, and will be used principally for liquidity or to facilitate the distribution of pension payments.

Funding-Led Allocation Guide

The Plan's funded status impacts Plan objectives. Funding is reviewed annually by the Committee, the Actuaries and the Investment Consultant. When the funded status is low, the primary Plan objective is to achieve full funding. A portfolio focused on generating return is appropriate, within the constraints of the overall goal and the Plan Sponsor's tolerance for risk. As the funded status rises, the Plan objective moves toward maintaining that level. This objective change will lead to less focus on generating return and more focus on managing funded status volatility. If the funded status rises above 100% (overfunded), the Portfolio's primary objective will shift yet further toward managing and mitigating funded status volatility. The Portfolio will require adjustment as the objectives change.

The Portfolio will generally target an allocation across three broad asset classes: equity, fixed income and cash. The selected asset allocation, as described below, indicates both an initial target allocation and a range for each investment category.

<u>Asset Category</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Equity	55	65	75
Fixed Income/Cash	25	35	45

From time-to-time, based on changing economic circumstances, the various relative investment opportunities, funding status, and Plan demographics as perceived by the Committee and its Investment Consultant, it may be desirable to make changes in the target allocations. The Committee and its Investment Consultant may determine such changes are desired and appropriate. Subsequent target allocation changes will be approved by the Committee and this Statement will be updated accordingly.

Rebalancing Policy

It is expected that the Plan's actual asset allocation will vary from its target asset allocation given the varying returns earned on its investments in different asset and sub-asset classes over a given period of time. The Plan will be rebalanced to its target normal asset allocation under the following circumstances:

1. to utilize cash flow to realign the Portfolio closer to its target asset allocation on an ongoing basis;
2. the Investment Consultant will review the portfolio quarterly and may provide a rebalancing recommendation at any time; and/or,
3. the Investment Consultant, with approval from the Committee shall act within a reasonable period of time to evaluate deviation from these ranges.

V. Investment Manager Selection

The Committee shall select Investment Managers based on relevant criteria, including, but not limited to, the following:

- (a) *minimum track record*: the Investment Manager's inception date generally should be more than three years prior to its selection;
- (b) *assets under management*: the Investment Manager generally should have at least \$75 million under management;
- (c) *correlation to asset class and/or peer group*: the Investment Manager should be highly correlated to the asset class with respect to which it is designated. This is a critical part of the ongoing due diligence which requires comparisons of the Investment Manager to the appropriate benchmark and peer group;

- (d) *performance relative to a peer group*: the Investment Manager's performance should be evaluated against the peer group's median fund manager return, for 1-, 3- and 5-year cumulative periods;
- (e) *performance relative to assumed risk*: the Investment Manager's risk-adjusted performance (Alpha and/or Sharpe Ratio) should be evaluated against the peer group's median fund manager's risk-adjusted performance;
- (f) *holdings consistent with style*: the Investment Manager (other than multiple asset class options like target date funds) generally should have no more than 20% of the portfolio invested in "unrelated" asset class securities. For example, a large cap growth Investment Manager should hold no more than 20% in cash, fixed income and/or international securities;
- (g) *expense ratios/fees*: the Investment Manager's fees should not be in the bottom quartile (most expensive) of its peer group;
- (h) *stability of the organization*: there should be no perceived organizational problems - generally, the same portfolio management team should be in place for at least two years;
- (i) *transparency*: detailed information should be readily available on the history of the Investment Manager, its investment philosophy and approach, and its principals, locations, fee schedules, performance and other relevant information;
- (j) *duly registered*: the Investment Manager should be a bank/trust company, insurance company, investment management company or an investment adviser under the Registered Investment Advisers Act of 1940, operating in good standing with regulators and other state and federal government authorities, with no material pending legal actions that the Investment Consultant or Committee may be aware of;
- (k) *organizational evaluation*: which may include such criteria as personnel, management and investment philosophy, consistency of process, material events, reasonable fees and expenses, asset flows, etc.; and
- (l) *administrative constraints*: constraints imposed by the Plan Recordkeeper, provided they are not unduly restrictive, may affect the selection of the Investment Managers.

The Committee has selected multiple asset classes. A list of the managers (mutual fund or private) hired for each of the asset classes is provided in Appendix 1.

VI. Monitoring Procedures

The Committee and Investment Consultant will monitor the Portfolio's results on an ongoing basis to evaluate how successful it has been at meeting its stated investment objectives. The Committee acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the Committee intends to evaluate manager performance from a long-term perspective.

The Committee is aware the ongoing review and analysis of the Investment Managers and the Investment Consultant is just as important as the due diligence implemented during their selection. The performance of the Investment Managers and Investment Consultant will be monitored on an ongoing basis and it is at the Committee's discretion to take corrective action by replacing any Investment Manager or the Investment Consultant if the Committee deems it appropriate at any time. The Committee will assess the Plan and the performance of its underlying investments as follows:

1. The Plan's funded status is the key measure of success and the primary driver of the funding led allocation guide process. Both the level and the stability of the funded status are important. Therefore an estimate of the funded status will be regularly reviewed and evaluated by the Committee.
2. The Plan's composite investment performance (net of fees) will be judged against a chosen policy index. A composite benchmark has been chosen consisting of, but not limited to, the following

unmanaged market indexes:

- (a) S&P 500 Index
 - (b) Russell 2000 Index
 - (c) MSCI ACWI ex-US Index
 - (d) MSCI EM Index
 - (e) FTSE EPRA/NAREIT Developed Index
 - (f) Barclays 1-5 Year Govt/Credit Index
 - (g) Barclays Capital U.S. Aggregate Bond Index
 - (h) Barclays US Treasury US TIPS Index
 - (i) Barclays Global Aggregate Bond Index
 - (j) Credit Suisse High Yield Index
3. On a timely basis, but generally not less frequently than annually, the Committee will review whether each Investment Manager continues to conform to the selection criteria outlined in the previous section; including but not limited to:
- (a) whether or how the Investment Manager complies with the selection criteria;
 - (b) material changes in the Investment Manager's organization, investment philosophy and/or personnel; and/or,
 - (c) any legal, SEC and/or other regulatory agency proceedings affecting the Investment Manager.
4. The performance of individual investments and pooled investments (net of fees) will be judged against the following standards:
- (a) a manager's performance relative to the median for an appropriate peer group over a one-, three-, and/or five-year cumulative period;
 - (b) a manager's three-year risk adjusted return (Alpha and/or Sharpe) relative to an appropriate peer group's median risk adjusted return;
 - (c) the professionals managing the portfolio;
 - (d) fluctuation in the Investment Manager's assets;
 - (e) stated style and/or strategy;
 - (f) investment expenses relative to the appropriate peer group; and/or
 - (g) other extraordinary events.

The Investment Consultant shall provide the Committee, on a quarterly basis, and at other times as necessary, with written reports that detail the performance of each fund Investment Manager (performance will be evaluated in terms of the relevant peer group, e.g. the large cap growth mutual fund universe for a large cap growth mutual fund).

A fund Investment Manager may be placed on a Watchlist and be subject to additional review and analysis, or elimination from the Plan, when:

- (a) performance is below median for their peer group over a one-, three- and/or five-year cumulative period;
- (b) the three-year risk adjusted return (Alpha and/or Sharpe) falls below the peer group's median risk adjusted return;
- (c) there is a change in the management team;

- (d) there is a significant change in the fund or firm assets;
- (e) there is an indication the Investment Manager is deviating from the stated style and/or strategy;
- (f) there is an increase in fees and expenses; and/or
- (g) any extraordinary event occurs that may interfere with the Investment Manager's ability to fulfill its role in the future.

An Investment Manager evaluation may include the following steps:

- (a) A letter to or other form of direct contact with the fund Investment Manager asking for an analysis of their underperformance.
- (b) An analysis of recent transactions, holdings and portfolio characteristics to determine the cause for underperformance or to check for a change in style.
- (c) A meeting with the fund Investment Manager to gain insight into organizational changes and any changes in strategy or discipline.

Notwithstanding the foregoing, a fund Investment Manager may be a candidate for immediate removal without first being placed on the Watchlist when:

- (a) The Investment Manager is perceived to have extreme difficulty either because of regulatory, legal, financial, management or competitive issues;
- (b) The Investment Manager is to be liquidated or merged into another vehicle; and/or
- (c) The Investment Manager undergoes a material change of strategy or philosophy altering its historical asset and/or style allocation.

Ultimately, the decision to retain or terminate an Investment Manager cannot be made by a formula. It is the Committee's confidence in the Investment Manager's ability to perform in the future that ultimately determines the retention of the Investment Manager. No one factor will be determinative, but a review of all of these factors together will form the basis for any Committee decision.

Measuring Costs: The Committee will review periodically all costs associated with the Investment Consultant and Investment Managers, including but not limited to:

- (a) *investment expenses:* expense ratios of the Investment Manager and Investment Consultant against the appropriate peer group;
- (b) *custody fees:* the holding of the assets, collection of the income and disbursement of payments;
- (c) *administrative fees:* costs to recordkeep Plan investments, account settlement (Participant balance with an Investment Manager), allocation of assets and earnings, and, when applicable, application of 12b-1 fees or other forms of revenue sharing to pay for appropriate Plan fees; and
- (d) *actuary fees:* Costs to perform calculations and projections based on plan assets and various assumptions.

VII. Conflict of Interest

A member of the Committee shall disclose, to the extent the member has, or reasonably may be expected to be aware of, any relationship involving the member, the member's family or a business or work relationship, that directly or indirectly may constitute a conflict or potential conflict of interest in connection with a matter pending before the Committee, or within the scope of its authority, including:

- (a) appointing or renewing the appointment of the Investment Consultant, an Investment Manager, or other vendor providing fiduciary or other services to the Plan;
- (b) a matter involving a Plan account or a benefit under the Plan; or

(c) the selection and continuation of an Investment Manager.

An interested member shall be recused from the Committee meeting while such matter is discussed and voted upon. He or she may not vote on the issue to which a conflict of interest relates, but may be counted in determining the presence of a quorum for purposes of the vote.

VIII. Power to Amend

The Committee will review this Statement from time to time to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. Although the Committee retains the right to amend this Statement at any time, it is not expected that the Statement will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the Statement. If any term or condition of this Statement conflicts with any term or condition in a Plan, the terms and conditions of the Plan shall control.

APPENDIX 1**Investment Managers Effective June 30, 2015.**

Investment Manager	Ticker	Asset Class	Peer Group
Wells Fargo Advantage Cash Inv MMkt I	WFIXX	Money Market	Money Market
Vanguard Short-Term Bond Index Adm	VBIRX	Short-Term Bond	Short-Term Bond
Metropolitan West Total Return Bond Plan	MWTSX	Intermediate-Term Bond	Intermediate-Term Bond
Vanguard Inflation-Protected Secs Adm	VAIPX	Inflation-Protected Bond	Inflation-Protected Bond
Hotchkis & Wiley High Yield I	HWHIX	High Yield Bond	High Yield Bond
Dreyfus/Standish Global Fixed Income I	SDGIX	World Bond	World Bond
Invesco Diversified Dividend R5	DDFIX	Large Value	Large Value
T. Rowe Price Instl Large Cap Growth	TRLGX	Large Growth	Large Growth
Goldman Sachs Small Cap Value Instl	GSSIX	Small Value	Small Value
JPMorgan Small Cap Equity Sel	VSEIX	Small Blend	Small Blend
Invesco Small Cap Growth R5	GTSVX	Small Growth	Small Growth
Artisan International Institutional	APHIX	Foreign Large Growth	Foreign Large Growth
Oppenheimer Developing Markets I	ODVIX	Diversified Emerging Mkts	Diversified Emerging Mkts
Invesco Global Real Estate Y	ARGYX	Global Real Estate	Global Real Estate