

**City and County of Denver
457(b) Deferred Compensation Plan
Investment Policy Statement**



**Approved by the
457(b) Deferred Compensation Committee**

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SECTION I - INTRODUCTION

The 457(b) Deferred Compensation Trust (the “Plan”) is to provide an opportunity for Participants in the Plan to set aside additional retirement income for the future, while providing current tax advantages. The Plan constitutes an agreement solely between the City and County of Denver (the “City”) and participating employees, officers, and elected officials. The Plan is established and shall be maintained for the exclusive benefit of eligible Participants and their Beneficiaries.

The 457(b) Deferred Compensation Committee (the “Committee”) was established to administer and represent the City in all matters concerning the Plan. The committee shall consist of nine (9) voting members, two (2) of whom shall be plan retirees; and one (1) of whom shall have working knowledge or experience with retirement plans. All appointed committee members shall be participants of the plan. Six (6) of the committee members shall be appointed by the mayor, and serve at the mayor's pleasure. Two (2) of the committee members shall be appointed by and serve at the pleasure of city council, one (1) of whom shall be a plan retiree. The manager of finance or the manager's designee, shall be the ninth member. The Committee will designate one or more Recordkeeper(s)/Administrator(s) to assist the committee in the administration of the plan and be responsible for the functions outlined in Section II – Roles and Responsibilities.

The intent of the Investment Policy Statement is to establish the Committee’s policy to aid in meeting the Committee’s fiduciary responsibility by effectively constructing, supervising, and evaluating the investment program.

Objectives of the Policy:

- Make clear distinction between responsibilities among all parties: Committee, Investment Management Consultant, Recordkeeper/Administrators, and Participants;
- Ensure that a broad range of investment options are offered to Plan Participants with varying degrees of risk and return characteristics;
- Identify appropriate benchmarks for each investment category; and
- Establish formal criteria for investment fund selection, evaluation, reporting, monitoring, and removal.
- Formalize the Committee’s process to establish, monitor and evaluate fees.

The Committee shall review the status of the Plan at least quarterly and shall review the Investment Policy (the “Policy”) on an annual basis. Modifications to the Investment Policy shall take place when deemed appropriate and approved by a quorum.

SECTION II – ROLES and RESPONSIBILITIES

Committee: To act with diligence, prudence, skill, and care on behalf of the Participants and Beneficiaries. Know and adhere to the rules and regulations governing the Plan. Approve only investment options authorized in Article 5 of the Plan document. Construct, supervise/monitor, evaluate, and act as a prudent investor with regard to the investment categories and guidelines as outlined in Sections 3 and 4 of this Investment Policy. Create, modify, and implement this Investment Policy.

Investment Management Consultant: This consultant may assist the Committee in establishing investment policy, objectives and guidelines; selecting funds and fund managers; review of funds and fund managers over time; measuring and evaluating investment performance; market outlook, updates and trends; and all support and guidance in all areas, as necessary to facilitate compliance with this investment policy.

Recordkeeper/Administrator(s): Generally, to assist the Committee in fulfilling their responsibility as indicated above. Perform administrative services in support of the Plan, including but not limited to: enrollments, record keeping, account statements, monitoring of deferral limits, Participant correspondence, regulatory compliance, Plan documentation, internal or external audit coordination, and payroll coordination; provide education and appropriate information to plan participants, to assist them in selecting their respective investments through seminars, individual meetings, correspondence, and web-based tools, among other methods.

Plan Participant: Are granted the right to choose how their individual accounts are to be allocated among the different investment options. Although this policy will establish options to be made available, individual selection and investment of funds in one or more of these options, retirement planning, and management of the Participant's individual performance are solely at the discretion and the responsibility of the Participant. Plan Participants should seek education and training to assist them in understanding the different investment options available and how individual options fit within their own retirement horizon, risk tolerance, return expectation, and asset class preferences.

SECTION III – CORE INVESTMENT CATEGORIES

The Committee recognizes the diverse backgrounds, risk tolerances, and return objectives among the Participants, and will select and maintain a diversified set of investment fund options to meet the diversification needs of the Participants. To ensure proper diversification, the Committee will provide at least one investment option in each of the investment categories.

Investment Categories

- Money Market
- Stable Value
- Fixed Income
- Large Cap Value Equity
- Large Cap Blend Equity
- Large Cap Growth Equity
- Mid Cap Value Equity
- Mid Cap Blend Equity
- Mid Cap Growth Equity
- Small Cap Value Equity
- Small Cap Blend Equity
- Small Cap Growth Equity
- International Equity
- Lifecycle/Life Series
- Brokerage Accounts

Funds will be evaluated using the peer groups and benchmarks defined in Exhibit A.

SECTION IV – POLICY GUIDELINES

Investment Selection:

The Committee's investment selection guidelines were designed to encompass a variety of funds but not be overly restrictive in order to meet the ever changing business environments. The fund requirements herein are minimum standards and are subject to additional requirements as deemed appropriate by the Committee. The Investment Management Consultant will present the eligible investment funds, which comply with the following minimum requirements, to the Committee for final approval of the investment fund.

Minimum Requirements at the Time of Inclusion

- A fund must have a minimum of five years of measurable operating history and at least \$200 million in net assets;
- A fund cannot have either front or back-end load fees that are applicable;
- A fund must have an expense ratio no greater than 120% of the peer group's median; and
- A fund must have a management team/manager with at least a four year tenure.

Investment Evaluation and Monitoring:

In the interim of each quarterly board meeting, the Investment Management Consultant will monitor the selected investment funds, and report to the Committee the Watch List measures outlined herein. The investment fund will be held to the standard of maintaining all of the minimum requirements and Watch List measures. In addition, the Investment Management Consultant will present market conditions during its quarterly report and will make recommendations regarding selection and retention of a particular investment option.

Watch List Measures-

1. Organization – firm ownership and litigation will be monitored for material changes, such as initial public offerings or insider trading.
2. People – tenure and quality of the investment management team will remain stable, monitoring any material changes to the portfolio management team or firm-wide resources.
3. Performance – performance will require a fail if not in-line with expectations, as measured by cumulative, risk-adjusted, annual, and rolling three-year performance against benchmark and peer groups as identified in Exhibit A.

Measure	Definition
Cumulative Performance	Provides a snapshot of average annual performance over three-, five-, seven-, and ten-year periods
Annual Performance	Measures consistency of calendar year performance relative to benchmark and peers
Rolling-Three Year Performance	Measures consistency of longer period performance relative to benchmark and peers
Shape Ratio	Measures excess return of an investment for every unit of risk, which is compared against benchmark and peers
Alpha	Measures market adjusted performance of an investment relative to a benchmark. Level of alpha is also compared to peer managers

4. Assets Under Management (AUM) – strategy assets are expected to experience less than a 10% change in AUM from quarter-to-quarter. In addition, for capacity constrained asset classes, total AUM will be evaluated.
5. Investment guidelines, process, and style – the investment funds’ application of a consistent and repeatable process, as well as deviation from the intended investment mandate will remain stable.
6. Expense Ratio - the investment funds’ net prospectus will not exceed 120% of the median peer group expense.

Watch List and Removal:

A Watch List will be created for those funds that fail to maintain the minimum requirements and/or underperform the funds Watch List measures established in the Investment Evaluation and Monitoring guidelines. The Committee’s procedures for inclusion of an investment fund to the Watch List and the Removal of an investment fund from the Plan will include the following steps:

1. The Committee shall be briefed by the Investment Management Consultant at least annually regarding all Funds, and advised at each quarterly meeting on any fund not currently fulfilling the minimum requirements and Watch List measures.

2. Any investment fund that fails to comply with one or more of the Watch List measures will be placed on the Watch List, and shall be reevaluated the following quarter.
3. Any investment that appears on the Watch List for four consecutive quarters will receive a "Watch List Report". The Watch List Report shall address the outstanding concerns for the strategy and a recommendation on what action to take. The committee will then determine whether the investment fund shall then be removed from the Plan, frozen to new investments, or remain on the Watch List.

SECTION V – SELF-DIRECTED BROKERAGE ACCOUNTS

The self-directed brokerage option is designed for a sophisticated, experienced and knowledgeable investor. The City, the Committee, Investment Management Consultant and its Recordkeeper/Administrators have no expressed or implied responsibility for the evaluation, selection and/or monitoring of the continued offering of the investment options in any self-directed brokerage account program by the Plan, including no duty to supervise or monitor the Participants' or Beneficiaries' investment experience in the self-directed brokerage account program(s). Participants and Beneficiaries selecting this option will be required to abide by all requirements set forth in the D.R.M.C. and the Plan. The following list is only a brief overview of those conditions:

1. The Participant understands and accepts any and all risks associated with this selection;
2. The Participant understands and accepts that none of the mutual funds available in the self-directed brokerage option have been reviewed by the Committee;
3. The Participant agrees to hold the Plan and the Committee harmless for any negative consequences resulting from use of the self-directed brokerage option; and
4. Any Participant-related disputes or controversies involving self-directed brokerage accounts shall be resolved in accordance with the Plan.

SECTION VI FEES

The Committee acknowledges that any decision to have Plan fees paid as authorized by the enabling ordinance constitutes a fiduciary action. The Committee will not engage in any prohibited transactions or create any conflicts of interest as defined under ERISA (even though the plan is not subject to ERISA) or other applicable law by virtue of the actions it takes with respect to the allocation and payment of Plan fees and expenses. Additionally, it is the Committee's intention to ensure that any fees paid from Plan assets are reasonable and transparent.

Fees Allocated to Plan Sponsor

The Plan Sponsor will pay all fees related to "settlor" functions (e.g., decisions regarding the formation, design, or termination of the Plan). Settlor expenses are not permitted to be paid by the Plan. In addition, the Plan Sponsor may pay certain Plan-related expenses. Plan fees allocated to and paid by, the Plan Sponsor will not be paid from Plan assets.

Plan Fees

Reasonable expenses related to the administration of the Plan may be charged to Plan assets. If Plan fees are to be paid from Plan assets, such fees must meet the criteria below. Fees paid from Plan assets:

- Must relate to services that are necessary for the recordkeeping and administration of the Plan;
- Would not have been incurred but for the recordkeeping and administration of the Plan;
- May not be related to the Plan Sponsor's non-Plan business operational functions;
- May not be settlor expenses;
- Must be reasonable in light of the services being performed; and
- Must relate to services furnished under a contract or arrangement which is reasonable.

In addition to any Plan fees allocated to Plan assets that may be paid from participant Plan accounts, as applicable, fees associated with participant transactional requests or optional participant services may be allocated to the requesting or electing participant's Plan account, including brokerage account transaction fees for those participants electing the brokerage window.

Specific Plan fees that are allocated to Plan assets are more fully described in Schedule B of this document.

Fee Disclosure

The Committee will require that all vendors providing services to the Plan fully disclose any and all fees related to their services to the Plan, as well as all vendor income derived from plan assets, such as a revenue share.

Fee Benchmarking

The Committee will periodically conduct a fee benchmarking study to determine:

1. The current total amount of fees paid under the Plan;
2. The expenses of the investments available in the plan including any revenue sharing provided by the investments such as 12(b)(1), Sub TA or Service Fees ;
3. How current Plan fees compare to the marketplace at large relative to the services being provided to the Plan.

The Committee will use the results of its fee benchmarking study to determine fee reasonableness, understanding that the goal is not simply to achieve the lowest possible Plan cost relative to the marketplace as a whole.

EXHIBIT A Investment Benchmark & Peer Groups:

Asset Class	Investment Category	Benchmark	Peer Group/Style Universe
Domestic Equity	All Cap Core	Russell 3000 Index	Multi Cap Core Equity Style
	Large Cap Core	S&P 500 Index	Large Cap Equity Style
	Large Cap Value	S&P 500 Value Index	Large Cap Value Equity Style
	Large Cap Growth	S&P 500 Growth Index	Large Cap Growth Equity Style
	Mid Cap Core	CRSP US Mid Cap Index	Mid Cap Equity Style
	Mid Cap Value	S&P 400 Value Index	Mid Cap Value Equity Style
	Mid Cap Growth	S&P 400 Growth Index	Mid Cap Growth Equity Style
	Small Cap Core	CRSP US Small Cap Index	Small Cap Core Equity Style
	Small Cap Value	Russell 2000 Value Index	Small Cap Value Equity Style
	Small Cap Growth	Russell 2000 Growth Index	Small Cap Growth Equity Style
International Equity	International Equity	MSCI:ACWI ex US Index	Non U.S. Equity Style
	International Value Equity	MSCI:EAFE Value Index	Non U.S. Equity Style
	International Growth Equity	MSCI:EAFE Growth Index	Non U.S. Equity Style
Emerging Markets Equity	Emerging Markets	MSCI:Emerging Markets Index	Emerging Markets Style
Fixed Income	Core Fixed Income	BC Aggregate Bond Index	Core Fixed Income Universe
Stable Value	Stable Value	Ryan 3 Yr. GIC Master Index	Guaranteed Investment Trust Universe
Target Date Portfolios	Lifecycle/Life Series	Dow Jones Target (date specific) Index	N/A

EXHIBIT B - FEES

Fee Type	Amount	Method of Allocation	Timing of Allocation
Recordkeeping and Administrative Fee paid to TIAA-CREF	0.075% of assets annually	Paid quarterly by Plan participants based on each participants quarterly account balance.	Quarterly
Participant Loan Fee	\$75 loan application fee (\$125 for principal residence loan application fee)	Deducted from participant's account	As incurred
QDRO Fee	No fee		
Unforeseen Emergency Withdrawal Fee	No fee		
Brokerage Account Fee	\$0 per year plus transaction costs	Deducted from participant's account	As incurred

VII. SIGNATURES


457(b) Deferred Compensation Committee



Joseph Strese – Chairman

8/25/15
Date

Innovest Portfolio Solutions LLC



7/28/15
Date

