

# **INVESTMENT POLICY STATEMENT**

**For**

**The City of Wheat Ridge Money Purchase Pension Plan for  
Designated Police Department Employees**

Prepared July 2012  
Revised May 2019

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## **BASIC INFORMATION**

This investment policy was adopted by The City of Wheat Ridge Police Department, acting by and through its Police Board ("Board"), and applies to The City of Wheat Ridge Money Purchase Pension Plan for Designated Police Department Employees ("Plan") sponsored by The City of Wheat Ridge Police Department ("Client").

As described more fully in the Plan Documents, the purpose of the City of Wheat Ridge Money Purchase Plan for Designated Police Department Employees is to encourage employees to build long-term careers with the City of Wheat Ridge Police Department by providing eligible employees with a convenient way to save on a regular and long-term basis for retirement.

Employee contributions are made through payroll deductions each payroll period and remitted to the trustee for investment into the employee designated investment options. Employees contribute 10% of their base income to the plan. The contribution is a mandatory, pre-tax contribution. The City of Wheat Ridge, as the employer, matches this contribution. Both the authority and the responsibility for investing and retirement planning belong to the employees. The Plan is a component of an individual's assets to be used at retirement.

### **Purpose of This Investment Policy Statement**

The Board has the authority to select and monitor the investment options of the Plan. The purpose of this Investment Policy Statement (IPS) is to establish guidelines for effectively selecting, monitoring and evaluating the investment options to be made available to participants in the Plan, and setting forth responsibilities of various parties with respect to the investment program for the Plan. The investment program for the Plan is defined in various sections of this IPS by:

- Stating in this document the Board's expectations, objectives, and guidelines with respect to the investment of Plan assets.
- Providing guidelines for assembling the various investment options into an overall structure to include various asset classes, investment management styles and model portfolios so that, when viewed as a whole, the investment options are expected to allow a participant to achieve a sufficient level of overall diversification.
- Establishing formalized criteria to monitor, evaluate and compare the performance results achieved by the fund managers on a regular basis and a method by which changes are made.
- Outlining fiduciary responsibility, prudence and due diligence requirements that experienced fund managers and other fiduciaries would utilize in managing and overseeing retirement plan assets.

### **Policy Objectives**

The overall objective of this policy is to establish an investment structure that will meet a broad range and diverse set of current and projected financial needs of the Plan participants.

Within this overall objective, the Board has identified the following additional objectives:

1. To design a prudent process for vendor selection and ongoing monitoring.
2. To maintain flexibility in meeting the future needs of the participants.
3. To maximize return within reasonable and prudent levels of risk by providing investment options which cover a broad range of risk and return characteristics.
4. To control costs of the administration and investments of the Plan.
5. To undertake all transactions solely in the interest of the participants and beneficiaries.
6. To enable participants to exercise investment control over their individual investments.
7. To make investment education available to participants.

In general, the investment policies reflect current and foreseeable economic and market conditions, as well as applicable accounting and statutory requirements. It is intended that this investment policy statement be reviewed periodically and updated as necessary and made available to participants upon request. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

## **RESPONSIBILITIES**

The Board is responsible for the prudent administration of this Investment Policy with specific responsibilities that include design of the Plan investment options; establishing investment policy objectives and guidelines; prudent selection of funds to be offered; and ongoing monitoring. The Board may contract with a consultant to assist in these responsibilities.

### **Delegation of Authority by the Board**

The Board is a fiduciary and is responsible for providing the investment framework and for monitoring the investment management of the Plan. As such, the Board is authorized to delegate certain responsibilities to professional experts in various fields. These may include, but shall not be limited to:

1. Funds and Fund Managers. Each fund manager will have discretion to purchase, sell, or hold specific securities or products that will be used to meet the investment objectives. The Board, with the assistance of the Investment Management Consultant, will monitor and review each fund's achievement of the objectives for which it was selected.
2. Investment Management Consultant. This consultant may assist the Board in establishing investment policy, objectives, and guidelines; selecting funds and fund managers; reviewing such funds and fund managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

3. **Custodian Bank.** A custodian bank will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Plan, collect dividends and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased or sold, as well as movement of assets into and out of the Plan's accounts. These services may be bundled with those of the third-party administrator/record keeper.
4. **Third Party Administrator (TPA)/Record Keeper.** A TPA will track individual participant balances and process participant contributions, disbursements and transfers. The TPA will reconcile participant balances with trust account balances to maintain alignment. The TPA will also perform testing and produce management reports that ensure the Plan's compliance with applicable laws and regulations. These services may be bundled with those of the custodian bank.
5. **Additional specialists** such as attorneys, auditors, actuaries and others may be employed by the Board to assist in meeting its responsibilities and obligations to administer the Plan assets prudently.

Such experts may also be deemed to be fiduciaries and if they are deemed to be fiduciaries, they must acknowledge such in writing either by contract or prospectus. All expenses for such experts must be customary and reasonable, and may be borne by the Plan as deemed appropriate and necessary if considered a reasonable plan cost.

### **Responsibility of Participants**

The Plan grants to each participant the right and responsibility to choose how his/her account is to be allocated among the investment options. Each participant is responsible to seek education and training to be prepared to select a combination of investment options based on the participant's unique time horizon, risk tolerance, return expectation and asset class preferences.

### **Conflicts of Interest**

All Board members and the investment management consultant will refrain from personal business activity that could create an appearance of impropriety, that could conflict with the proper execution and management of the retirement plan program, or that could impair their ability to make impartial Plan decisions.

## **INVESTMENT POLICIES AND GUIDELINES**

### **Asset Classes and Investment Style Groups**

Asset classes are chosen because of their long-term return histories that are reasonably useful in evaluating probable future standard deviation and correlation. They are selected to balance the risk and rewards of market behavior. Within each of the broad asset classes, options will be diversified to allow participants to choose from a range of equity capitalization and fixed income maturities. To facilitate diversification within asset classes, various style groups will be made available.

The Board may add, delete, or replace a particular asset class or style of investment management if the Board deems it appropriate to do so.

Exhibit B details the current investment lineup and benchmarks for the Plan.

## **Performance Expectations**

Over time, each investment option's overall annualized total return should perform above their benchmark and at or above the median of portfolios of similar style. The Board will continually monitor and review funds against this expectation.

## **Selection of Fund Managers**

The Board, with the assistance of the Investment Management Consultant, will select appropriate fund managers to manage Plan assets. The following minimum criteria must be met.

1. The fund options will be managed by a bank, insurance company, investment management company or investment adviser as defined by the Registered Investment Advisers Act of 1940.
2. Historical quarterly performance numbers, calculated on a time-weighted basis based on a composite of all fully discretionary accounts of similar investment style, will be utilized for performance screening.
3. Performance evaluation reports that illustrate the risk/return profile of the manager relative to other managers of like investment style will be utilized.
4. Detailed information on the history of the fund management firm, its key personnel, and associated costs will be analyzed.
5. Each fund's investment strategy must be described, and successful adherence to that strategy over time must be documented.
6. Fund managers must compare favorably against a comparable peer group for selection.
7. Each fund manager will acknowledge, through the fund prospectus, the following duties and responsibilities.
  - a. Exercise investment discretion, including holding cash equivalents as an alternative, within stated investment constraints, objectives and guidelines.
  - b. Promptly inform, by prospectus, all significant and/or material matters and changes pertaining to the investment of assets, especially as they relate to its stated investment philosophy and investment management decision process. These factors include, but are not limited to:
    1. Investment strategy
    2. Portfolio structure
    3. Tactical approaches
    4. Ownership
    5. Organizational structure

6. Financial condition
  7. Professional staff
  8. Recommendations for guideline changes
  9. Internal expenses and management costs
  10. All legal material, SEC and other regulatory agency proceedings affecting the firm
- c. Utilize the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced investment professionals acting in a like capacity and fully familiar with such matters would use in like activities with like aims in accordance and compliance with IRS regulations and all applicable laws, rules and regulations from local, state, federal and international political entities pertaining to fiduciary duties and responsibilities.
8. The Board and its consultant will determine the appropriateness of each mutual fund manager based on the objectives and guidelines stated in the IPS.

## **Ongoing Review**

### ***Performance Objectives and Review***

Investment performance will be reviewed regularly, but not less than semi-annually, to determine the continued feasibility of achieving the investment objectives and the continued appropriateness of the IPS for achieving those objectives. Progress toward attainment of the performance expectations of the IPS will be examined; emphasis will be placed on peer group comparisons with managers employing similar styles. It is understood that there are likely to be short-term periods during which performance deviates from appropriate indices and peer comparisons. The Board will exercise its prerogative to take corrective action by replacing a manager at the appropriate time, if so determined.

At the Board's meetings, the Board will consider:

- Manager's consistency with the style mandate expressed in the IPS;
- Material changes in the manager's organization, investment philosophy and/or personnel;
- Comparison of the manager's results to the appropriate benchmark outlined in Exhibit B;
- The risk associated with each manager's portfolio, as measured by the variability of quarterly returns (standard deviation), compared with the benchmark index;
- The manager's performance relative to its peers (managers of like investment style or strategy outlined in Exhibit B);

As the Board becomes aware of major organizational changes, it may warrant immediate review of the fund manager. These include, but are not necessarily limited to, the following events:

- Change in management structure
- Significant account losses
- Significant growth of new business
- Change in ownership
- Change in process/philosophy/style
- Change in cost

### ***Monitoring and Selecting Target-Date Retirement Portfolios***

Target-Date Retirement Portfolios, also known as lifecycle or age based funds, are designed to provide a simple investment solution through a portfolio whose asset allocation mix becomes more conservative over time. Because of the nature of how such portfolios are designed and allocated, they are not only subject to the selection and monitoring criteria listed in other sections of this IPS, but also the additional criteria listed below.

- Glidepath Evaluation will include an understanding of the Target-Date Retirement Portfolio glidepath, including when the glidepath will reach its most conservative asset allocation and whether that will occur at or after the target date.
- Asset Allocation Evaluation will include understanding the fund's investments – the allocation in different asset classes and sub-asset classes and how these will change over time.
- Underlying Investments Consideration will be given to the stability and continuity of the underlying investments included in the Target-Date Retirement Portfolio.

## **FEE POLICIES AND GUIDELINES**

### **Measuring & Monitoring Costs**

The Board will review periodically all costs associated with the management of the Plan's investment program, including:

1. Investment Expenses: Expense ratios of each investment option against the appropriate peer group.
2. Custody Fees: The holding of the assets collection of the income and the disbursement of payments.
3. Administrative Fees: Costs to recordkeep Plan investments, account settlement (Participant Balance with that of fund), and allocation of the assets and earnings, and (when applicable) the proper use of the 12b-1 fees or other forms of revenue sharing to offset these fees.

The Board will review the service contracts and costs associated with the Plan on an annual basis. Areas to be reviewed include:

- Fund Managers
- Investment Management Consultant
- Custodian Bank
- Third-party Administrator/Record Keeper



## **Charging Plan Costs**

Plan costs will be paid first from the forfeiture account as allowed by I.R.S. guidelines and then from the administrative allowance account. The forfeiture and administrative allowance accounts will be reviewed annually and best efforts will be utilized to bring the accounts to a reasonable balance amount as approved by the Pension Board to pay for future plan expenses.

Examples of expenses that can be paid from the administrative allowance account include:

- Consulting Fees
- Attorney Fees
- Education Expenses
- Fiduciary Insurance so long as it permits recourse by the insurer against the fiduciary
- Fiduciary Bond so long as it protects the plan and does not relieve any plan official of any obligation under the plan
- Plan Audit
- Recordkeeping

Examples of the expenses that can be paid from the forfeiture account include:

- Consulting Fees
- Attorney Fees
- Education Expenses
- Fiduciary Insurance so long as it permits recourse by the insurer against the fiduciary
- Fiduciary Bond so long as it protects the plan and does not relieve any plan official of any obligation under the plan
- Plan Audit
- Recordkeeping
- Employer Contributions


**ADOPTION OF THE INVESTMENT POLICY**

This policy is hereby adopted by action of the Board at on 11 / 21 / 19, 2019.

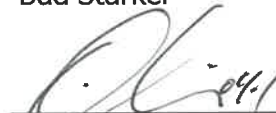
**City of Wheat Ridge Police Department**

  
Matt Finken

11 / 21 / 19  
Date

  
Bud Starker

12-9-19  
Date

  
Keith Weimer

11/21/19  
Date

  
Daniel Whittle


11/21/19  
Date

  
~~Daniel Brennan~~ Dave Pickett

12/10/19  
Date

  
Janelle Shaver  
Steve Kirkpatrick

11/21/19  
Date

  
Chris Miller

11/21/2019  
Date

**Innovest Portfolio Solutions, LLC**

  
Innovest Portfolio Solutions LLC

11/21/19  
Date

## **EXHIBIT A: KEY INFORMATION**

Plan Names: The City of Wheat Ridge Money Purchase Pension Plan for Designated Police Department Employees

Plan Sponsor: The City of Wheat Ridge Police Department  
IRS # 20-3832976

Plan Types: Defined Contribution Plan

Participant Directed Investment Options: Yes

Frequency to Change Investment Options: Daily

Investment Consultant: Innovest Portfolio Solutions LLC  
4643 South Ulster Street, Suite 1040  
Denver, CO 80237

Recordkeeper: ICMA-RC

Custodian: ICMA Retirement Trust, VantageTrust Company

Legal Counsel: Rebecca Hudson,  
Holland & Hart, LLP

Investment Options Available: Mutual Funds that have been selected for inclusion in the Plan pursuant to this Investment Policy are listed in Exhibit B.

## EXHIBIT B: INVESTMENT OPTIONS AND BENCHMARKS

Asset Class	Style Group	Benchmark	Peer Group/Style Universe	Mutual Fund Name
Equity	Large Cap Value Equity	S&P 500 Value Index	U.S. Large Cap Value Equity	John Hancock Disciplined Value
Equity	Large Cap Core Passive Equity	S&P 500 Index	U.S. Large Cap Core Equity	Vanguard 500 Index
Equity	Large Cap Growth Equity	S&P 500 Growth Index	U.S. Large Cap Growth Equity	Harbor Capital Appreciation
Equity	Mid Cap Core Passive Equity	CRSP U.S. Mid Cap TR Index	U.S. Mid Cap Core Equity	Vanguard Mid-Cap Index
Equity	Mid Cap Growth Equity	Russell Mid Cap Growth Index	U.S. Mid Cap Growth Equity	Artisan Mid Cap
Equity	Small Cap Value Equity	Russell 2000 Value Index	U.S. Small Cap Value Equity	T. Rowe Price Small Cap Value
Equity	Small Cap Core Passive Equity	CRSP U.S. Small Cap TR Index	U.S. Small Cap Core Equity	Vanguard Small Cap Index
Equity	International Core Equity	MSCI EAFE Index (Net)	International Large Cap Core Equity	American Funds EuroPacific Growth
Balanced Portfolios	Balanced Portfolios	60% S&P 500/40% U.S. Bloomberg Barclays Aggregate Bond Index	U.S. Balanced	Dodge & Cox Balanced
Balanced Portfolios	Guaranteed Lifetime Income	60% S&P 500/40% U.S. Bloomberg Barclays Aggregate Bond Index	U.S. Balanced	VT Retirement Income Advantage
Fixed Income	Core Fixed Income	Bloomberg Barclay's U.S. Aggregate Bond Index	U.S. Broad Market Core Fixed Income	Met West Total Return
Fixed Income	High Yield Fixed Income	Bloomberg Barclay's U.S. Corporate High Yield Index	High Yield	PIMCO High Yield
Real Estate	Global Real Estate Investment Trusts	S&P Developed Property Index	Global Real Estate	Cohen & Steers Global Realty
Stable Value	Stable Value	Ryan 3 Year GIC Master Index	U.S. GIC/Stable Value	Vantagepoint PLUS
Cash and Equivalents	Cash/Money Market	90 Day U.S. Treasury Bill	Cash and Equivalents	VT Cash Management
Target-Date Retirement Portfolios	Target-Date Retirement Portfolios	Schwab Composite Custom Index	Mixed-Asset Target	Schwab Managed Retirement Income Schwab Managed Retirement 2020 Schwab Managed Retirement 2030 Schwab Managed Retirement 2040 Schwab Managed Retirement 2050
Risk-Based Model Portfolios	Risk-Based Model Portfolios	Wheat Ridge Police Conservative Benchmark Wheat Ridge Police Moderate Benchmark Wheat Ridge Police Aggressive Benchmark	N/A	Wheat Ridge Police Conservative Wheat Ridge Police Moderate Wheat Ridge Police Aggressive
Available in Risk-Based Model Portfolios Only				
Equity	Emerging Market Equity	MSCI Emerging Markets Index (Net)	Emerging Markets Equity	DFA Emerging Markets Core Equity
Fixed Income	Floating Rate Corporate Loans	CSFB Leveraged Loan Index	Loan Participation	Eaton Vance Floating Rate
Hedge Funds	Liquid Low Correlated Hedge Funds	HFRI Fund of Fund Liquidity Adjusted Index	IM Absolute Return (MF)	Litman Gregory Alternative Strategies
Hedge Funds	Liquid Low Correlated Hedge Funds	HFRI Fund of Fund Liquidity Adjusted Index	IM Absolute Return (MF)	Blackstone Alt Multi Strategy

## **EXHIBIT C: INVESTMENT STYLE GROUPS**

The style groups and model portfolios are designed to fulfill the following investment objectives:

Large Cap Value Equity: An investment strategy where the manager invests mainly in U.S. large-sized companies believed to be undervalued or possessing lower-than-average price/earnings ratios, based on their potential for capital appreciation.

Large Cap Core Passive Equity: An investment strategy where the portfolio's characteristics and performance mimic that of the S&P 500 Index.

Large Cap Growth Equity: An investment strategy where the manager invests mainly in U.S. large-sized companies expected to have above-average prospects for long-term growth in earnings and profitability.

Mid Cap Core Passive Equity: An investment strategy where the portfolio's characteristics and performance mimic that of the CRSP U.S. Mid Cap TR Index.

Mid Cap Growth Equity: An investment strategy where the manager invests mainly in U.S. mid-sized companies expected to have above-average prospects for long-term growth in earnings and profitability.

Small Cap Value Equity: An investment strategy where the manager invests mainly in U.S. small-sized companies believed to be undervalued in the general market.

Small Cap Core Passive Equity: An investment strategy where the portfolio's characteristics and performance mimic that of the CRSP U.S. Small Cap TR Index.

International Core Equity: An investment strategy where the manager develops well-diversified portfolio holdings of mostly large issues in developed countries (excluding the U.S.) with liquid markets, resulting in characteristics similar to that of an index such as the MSCI EAFE Index.

Balanced Portfolios: A strategy that combines fixed income and equity securities. Typically, equities will be large capitalization and fixed income will be core with an expectation of achieving value from asset allocation.

Core Fixed Income: A fixed income strategy that constructs portfolios to approximate the investment results of the Bloomberg Barclay's U.S. Aggregate Bond Index with a modest amount of variability in duration around the index. For active managers, the objective is to achieve higher value from sector or issue selection.

High Yield Fixed Income: Managers whose investment objective is to obtain high current income by investing primarily in non-investment grade fixed-income securities. Due to the increased level of default risk, security selection focuses on credit-risk analysis.

Global Real Estate Investment Trusts: An investment strategy where the manager invests in companies located both in the U.S. and outside the U.S. that own commercial real estate such as office buildings, apartment buildings, shopping centers, warehouses and hotels.

Stable Value Fund: A product comprised of guaranteed insurance contracts, bank investment contracts, and synthetics designed to maintain a competitive return compared to other low-risk fixed income alternatives, such as money market securities. Daily transfers to and from the Stable Value Fund are allowed (except to competing funds) with no limitations on the amounts. However, employer withdrawals for reasons other than distributions will be made in an orderly manner over a period of not more than 12 months.

Money Market Fund: A product comprised of very short-term fixed income instruments designed to have no fluctuation of principal.

Target-Date Retirement Portfolios: Target-Date Retirement Portfolios are structured options comprised of underlying funds from different asset classes and style groups. They are designed to meet specific risk/return profiles associated with the various stages of the investor lifecycle. Target-Date Retirement Portfolios satisfy the participant need for a well-diversified, professionally-managed and easy to understand investment option. As the target retirement date approaches, the asset allocations will be dynamically modified to provide return and risk expectations commensurate with the applicable stage of the lifecycle. The benchmark to be used for each portfolio is a weighted average of indexes based on the allocation targets. All asset allocation changes to the portfolios will be incorporated in the benchmarks.

Risk-Based Model Portfolios: Model Portfolios are structured options comprised of funds from different style groups designed to meet specific risk/return profiles. The advantages to this approach are that every participant should have a well-diversified portfolio and participants can be more easily educated on the risk and reward characteristics of structured options. Three alternatives will be offered at inception. They include the following diversified model portfolios, which are designed for participants at various stages of life, and with various return expectations and risk tolerances: conservative, moderate, and aggressive.