



City of Los Angeles

Deferred Compensation Plan (DCP)

Investment Policy Statement Training

January 18, 2022

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Principal

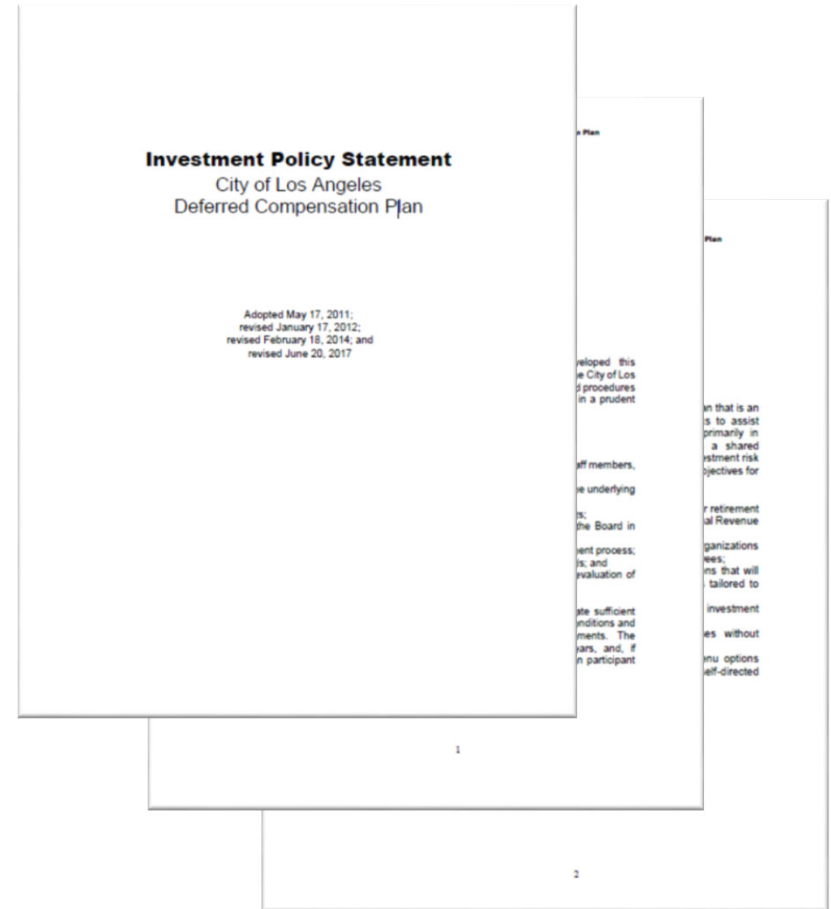
Peter Eibsen
Associate

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Investment Policy Statement

Purpose

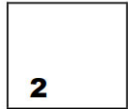
- The DCP Investment Policy Statement (IPS) serves as a roadmap to investment oversight and documents the prudent processes that the Board and staff follow in monitoring the DCP. It defines the:
 - Purpose of the IPS
 - DCP’s investment objectives
 - Responsibilities of the different parties
 - Investment structure and options
 - Investment search and the DCP’s procurement policy
 - Policies for selection and termination of investments
 - Investment option performance standards
 - Benchmarks and Procedures for ongoing monitoring of investment options
- This IPS will be reviewed generally no less than once every three years



Investment Policy Statement

DCP Objectives

- The IPS defines the objectives of the DCP, which is part of the City’s broader retirement program.
- The primary objective of the DCP is to assist employees and their beneficiaries in accumulating assets in a tax efficient manner in order to obtain financial security in retirement.
- A related objective is to provide a diversified line-up of high quality options at reasonable fees.
- Participation is voluntary and ultimately investment risk in the DCP is borne by the participants, who are responsible for deciding how much salary to defer and which options to select for their investment portfolios.



Plan Objectives

The Plan is a voluntary, participant-directed deferred compensation plan that is an integral part of the City’s broader retirement program, which seeks to assist employees and their beneficiaries in obtaining financial security primarily in retirement. The Board believes that achieving this objective is a shared responsibility of both the City and its employees, though ultimately investment risk in the Deferred Compensation Plan is borne by the participants. The objectives for the Deferred Compensation Plan are as follows:

- Assist employees and their beneficiaries in accumulating assets for retirement in a tax efficient way, as allowable under Section 457(b) of the Internal Revenue Code and other governing rules and regulations;
- Provide a benefit which is competitive with that offered by organizations competing with the City of Los Angeles to attract and retain employees;
- Provide a menu of high quality, diversified core investment options that will allow participants of varying risk tolerance to construct portfolios tailored to meet their particular financial goals;
- Increase participant engagement by simplifying the menu of core investment options within major asset classes that are easily understood;
- Minimize investment management and administrative expenses without compromising quality and performance; and
- Afford participants interested in investments other than core menu options access to a broad range of investment opportunities through a self-directed brokerage window.

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Investment Policy Statement

Responsibilities of the Different Parties

- This section of the IPS describes in detail the roles and responsibilities of the Board members, investment consultant, investment managers, TPA and custodian.
- These parties have the fiduciary duty to act in the sole interest of the DCP participants and their beneficiaries and must follow the “prudent investor” principles.
- Board members can select delegates to carry out different tasks but ultimately, the Board still retains the obligation to monitor these delegates.

Investment Policy Statement City of Los Angeles Deferred Compensation Plan

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Parties Responsible for Plan Management

Board

The Board will act in the sole interest of the Plan participants and beneficiaries, for the exclusive purpose of providing benefits to participants and beneficiaries and of defraying the reasonable expenses of administering the Plan. The safeguards to which a prudent investor would adhere must be observed. The Board will act in accordance with the principles set forth in the Prudent Investor standard. Specifically, the Board will discharge its duties with respect to Plan assets “with care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.”

The tasks for which the Board is responsible include:

- Overseeing operation of the Plan pursuant to the City of Los Angeles Administrative Code provisions governing the Plan;
- Establishing and maintaining this Investment Policy Statement;
- Hiring the third party administrator, investment consultant, and other necessary service providers;
- Selecting a diversified investment portfolio for the Plan and determining, with the assistance of the investment consultant and Plan staff, allocations for fund of fund¹ options (i.e., the DCP core options and DCP Profile Portfolios) used in the plan;
- Periodically monitoring the Plan’s investment performance and making investment option changes when necessary;
- Reviewing overall Plan costs to ensure they are reasonable;
- Conducting requests for proposals for any investment and administrative support services necessary;

¹ The term “fund of funds” is used throughout this document to describe the Plan’s use of multi-investment manager portfolios constructed with the intent of providing superior performance and/or lower volatility of returns through diversification of investment styles.

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Investment Structure and Options

- The Board has selected a multi-manager fund of fund structure for DCP investment options in order to provide a streamlined, yet very well diversified, investment menu.
- Options are identified by asset class rather than a brand name in an effort to promote participant focus on asset allocation rather than fund names.
- Participants can easily select options based on their individual investment objectives and risk tolerance.
- The DCP investment structure is comprised of the following tiers:
 - Asset Allocation: for “do it for me” investors
 - Core Options: for “guide me” investors
 - Brokerage Window: for “let me do it” investors
- See Appendix for the fund of fund option details.

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Investment Structure and Investment Options

Governing Principle: The Board’s Governing Principle is that an investment menu limited to a focused selection of distinct investment choices and consisting of investment options identified by asset class rather than investment provider will promote effective asset allocation strategies for plan participants. The Board believes a menu structured in this manner (1) provides sufficient diversification opportunities in major asset classes enabling participants to establish investment strategies appropriate for their individual investment objectives and risk tolerance; (2) reduces the potential for participant confusion leading to investment choices inconsistent with a participant’s investment objectives and risk tolerance; (3) promotes clearer visibility of investment choices as they represent various asset classes; and (4) leverages Plan assets to maximize opportunities for reduced investment management costs for Plan participants.

Investment Structure: The Plan’s investment structure (i.e., broad categorization of investment options) can be segmented into tiers, with each designed to meet the varying needs of different participants.

Tier	Philosophy
Risk Profile Portfolios - Asset Allocation	Allows participants to choose the diversified investment portfolio that best fits their time horizon, risk tolerance, and investment goals. Designed for investors who want a ‘streamlined’ approach to investing managed asset allocation. These options will comprise underlying investments in the Plan’s Core Option Menu.
Core Option Menu	Allows participants to create their own portfolios based on the asset classes (or types of investments) that best fit their time horizon, risk tolerance and investment goals.
Brokerage Window	Allows participants interested in investments outside the Risk Profile Portfolios and Core Option menu the opportunity to invest in a broad array of additional mutual funds, stocks, bonds and other investment alternatives based on their time horizon, risk tolerance, investment goals and/or preferences.

Investment Options: The Board, with the assistance of its Investment Consultant, has selected an array of investment options to fit within this structure that span the

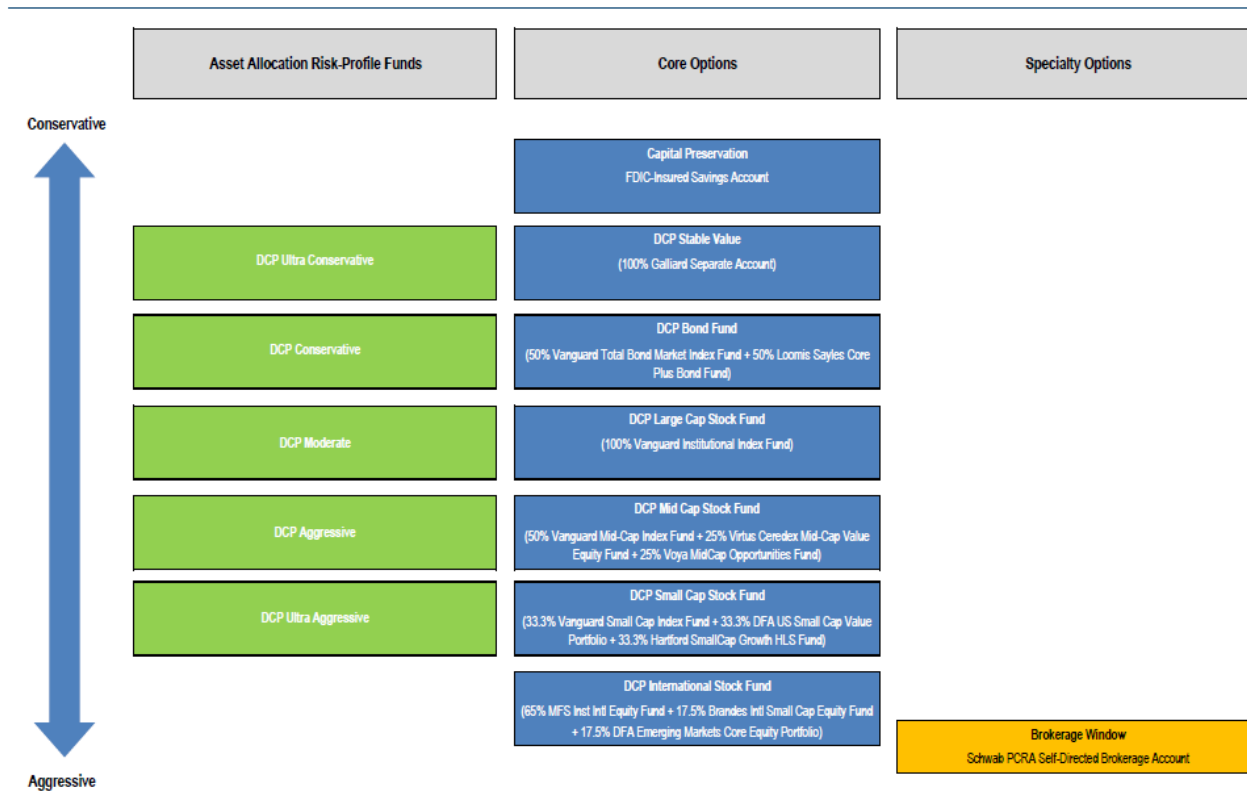
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Investment Policy Statement

Investment Structure and Options

- Periodically, we conduct an investment structure review with the Investments Committee. This process allows us to review the investment menu to determine if modifications should be considered. These potential changes are subject to subsequent review and approval by the full Board.



Investment Policy Statement

Investment Search and Procurement

- This section of the IPS provides information on the process that the Board follows when conducting mutual fund searches and/or institutional manager procurements to fill out the options in the DCP’s investment menu.
 - Institutional products (such as Collective Investment Trusts or Separate Accounts) follow an RFP process.
 - Mutual fund searches which do not require contracting can also be used if the Board deems appropriate.
- Searches and procurements for specific investments generally will occur once every five years, though nothing precludes the Board from expediting procurement if appropriate.

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Investment Search and Procurement Policy

The Board will utilize mutual fund searches and/or institutional manager procurements to fill the various investment mandates comprising the Plan investment menu. A mutual fund search is defined as a review of the broad universe of mutual fund investment vehicles available within a specific investment category and for which a contractual relationship between the fund manager and the City’s Plan is not available or required. An institutional manager procurement is defined as a review of proposals from institutional investment product (e.g. separate accounts, commingled trusts, and bank deposit savings accounts) managers within a specific investment category which require a contractual relationship between the fund manager and the City’s Plan.

The Board has the option of conducting a mutual fund search or institutional manager procurement, or a combination of both, depending upon which it finds to be in the best interests of the Plan and Plan participants in meeting the objectives of its Investment Policy.

Searches and procurements for specific investment categories generally will occur once every 5 years, within a schedule determined by the Board, and will follow the procedures outlined below.

- 1) Plan staff and Investment Consultant draft proposed selection criteria for a given investment category, and develop a recommendation to the Board as to whether a mutual fund search and/or institutional manager procurement best meets Investment Policy objectives for that particular investment mandate and is in the best interests of the Plan and its participants.
- 2) The Board considers, may modify, and then adopts a finding for the search vehicle (mutual fund search and/or institutional manager procurement) and the selection and scoring criteria.
- 3) Mutual Fund Search - If the Board elects a mutual funds search, the Investment Consultant and staff will conduct an investment manager search of qualifying mutual fund investment strategies, applying the search and evaluation criteria as set forth by the Board. The Investment Consultant and staff will prepare a list of top-scoring firms, the number of which will be

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Investment Policy Statement

Policies for Selection and Termination of Investments

- In this section of the IPS, the Board has developed a list of minimum qualifications for the selection of investment managers, as well as the criteria for qualitative and quantitative assessments.
- Although searches for specific investment categories are performed once every five years, under certain circumstances it may be necessary to terminate/replace the manager before the five-year period. A discussion of these circumstances is shown on this section.

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Investment Selection and Termination

The Board's finding with regards to the selection of Investment Managers is that qualitative factors can be as significant as quantitative ones in determining future investment success. The Board's finding is derived from the substantial body of academic and practitioner research that indicates investing in actively managed strategies based on recent outperformance tends to lead to subpar results in subsequent periods. The Board's recognition of the value qualitative factors have in the selection process is intended to mitigate the possibility of investment strategies being added to the Plan at the peak of their cycle.

The Board, in collaboration with the Investment Consultant and Staff, has developed minimum qualifications and selection criteria for Investment Manager candidates that it believes will offer the best prospects of future success. Both qualitative and quantitative measures will be considered in the selection process.

Minimum Qualifications:

The Board has established the following minimum expectations of potential Investment Manager candidates. Specifically, it is seeking strategies with:

- sufficient assets under management (20% of strategy assets at time of hire), such that the Plan would not represent a significant percentage of total assets;
- an amount of assets sufficient to maintain the manager's commitment to providing supporting resources yet not so large as it would hinder effective implementation of the investment strategy;
- a well-defined investment process compatible with the investment objectives of the Plan that has been offered for at least five years;
- a verifiable track record that demonstrates consistent adherence to the stated investment approach;
- accessibility in an appropriate investment vehicle for the Plan such as a daily valued mutual fund, commingled trust, or separate account;
- historical risk and return characteristics that are consistent with the specified role; and
- performance that is generally competitive over long-term periods when compared to the stated benchmark and that of similar strategies offered in the marketplace.

Qualitative Selection Criteria (Active and Passive Management)

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Investment Policy Statement

Investment Option Performance Standards

- The qualitative and quantitative investment option performance evaluation standards are listed here.
- The index and universe benchmarks selected for the evaluation of the investment options are listed on a table in this section.
- On the following slides, we provide samples of how these standards are applied on the monitoring of the investment options.

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Investment Option Performance Standards

Each Investment Manager's performance shall be evaluated based on the following qualitative and quantitative standards.

Qualitative Standards

The following qualitative standards will be used in the evaluation of the Investment Managers:

- Adherence to stated investment philosophy, process, and stated guidelines
- Strength of investment process (e.g., idea generation, portfolio construction, transaction cost management, etc.)
- Organizational strength (i.e., the degree to which the firm is run in the interest of investors)
- Retention and attraction of key investment professionals associated with the management of the investment option
- Degree of transparency in disclosing relevant information that may have an adverse impact on performance

Quantitative Standards

- Investment Performance results will be measured net of fees against a respective market index and peer group median over rolling three- and five-year periods. Peer universes will be composed of institutional managed funds comprising comparable strategies. The comparative indices and universes may be updated from time to time due to changes in investment strategy and/or underlying investments.
- Volatility will be measured by the standard deviation of quarterly returns and should be reasonably comparable to each fund's respective market index and the respective peer group averages. Funds with greater volatility than their indices should earn commensurate rate of return with that incremental volatility.
- Passively managed strategies will be evaluated based on their degree of tracking relative to their stated benchmarks. It is expected that passive funds generally will track their stated benchmark with a reasonable tolerance.

Following are the investment return objectives for each Plan investment category. It is expected that the funds designated for each investment category will meet or exceed these performance objectives.

Index

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Index

Aggregate

Regate

Regate

Custom

Index

Index
Index fund
Index

Index
Index fund

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Investment Policy Statement

Monitoring Funds - Benchmarks

Benchmark

- A measure against which performance is assessed
 - Most funds have a stated benchmark which the investment team aims to outperform. Benchmarks tend to be a market index, such as the S&P 500 Index or a peer group median.
 - A good benchmark is characterized by: being measurable, investable, and having a construction process that is known.
 - Examples of appropriate benchmarks:
 - Small cap value → Russell 2000 Value
 - Developed non-US equity → MSCI EAFE
 - Core US bond fund → Bloomberg US Aggregate
 - While not investible, peer groups provide useful information about how a fund's investment strategy compares to other funds within the asset class and can also provide insight into a manager's investment process.
 - Some portfolios are benchmark agnostic, meaning that they do not try to outperform a specified benchmark, but rather focus on achieving an absolute return.

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Monitoring Funds – Passive Funds

Index (passive) fund example: The DCP Large Cap Stock Fund (comprised 100% of the Vanguard Institutional Index Fund) seeks to approximate the performance of the S&P 500 Index. On a quarterly basis, we evaluate how successful the fund has been at tracking this benchmark.

City of Los Angeles

Performance Summary
September 30, 2021

	Allocation		Performance							
	Asset \$	%	10 Year	7 Year	5 Year	3 Year	1 Year	CYTD	3 Month	
DCP Large Cap Stock Fund	2,660,121,701	29.6	-	14.0 (33)	16.9 (40)	16.0 (42)	30.0 (21)	15.9 (13)	0.6 (33)	
S&P 500			16.6 (29)	14.0 (32)	16.9 (40)	16.0 (42)	30.0 (20)	15.9 (11)	0.6 (25)	
DCP Large Cap Hypothetical			16.6 (29)	14.0 (33)	16.9 (40)	16.0 (42)	30.0 (21)	15.9 (13)	0.6 (33)	
Mercer Mutual Fund US Equity Large Cap Index Median			16.5	13.9	16.8	16.0	29.7	15.5	0.5	

Over all periods, the fund (top line) closely mirrors the benchmark.

In addition, relative to the universe of all large cap equity index funds, strategy ranks favorably among other large cap passive funds.

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Monitoring Funds – Actively Managed Funds

Actively managed fund example: The DCP International Stock Fund invests in three underlying actively managed funds holding non-US securities. Each fund is trying to beat a stated benchmark. MFS (which is an underlying active equity manager within the DCP International Stock Fund) seeks to outperform the performance of the MSCI EAFE Index. On a quarterly basis, we evaluate how successful the fund has been versus this benchmark.

City of Los Angeles

Performance Summary

September 30, 2021

	Allocation		Performance						
	Asset \$	%	10 Year	7 Year	5 Year	3 Year	1 Year	CYTD	3 Month
DCP International Stock Fund	255,236,801	2.8	-	-	9.9 (37)	10.1 (35)	28.6 (33)	10.1 (28)	-1.1 (49)
DCP International Stock Custom Benchmark			8.3 (59)	6.4 (50)	9.2 (47)	8.1 (51)	25.1 (50)	7.0 (64)	-1.6 (58)
DCP International Hypothetical			9.2 (41)	7.1 (42)	9.9 (38)	10.1 (35)	28.6 (33)	10.1 (29)	-1.1 (49)
Mercer Mutual Fund World ex US/EAFE Equity Median			8.7	6.4	9.0	8.2	25.1	8.1	-1.2
MFS International Instl Equity Fund	-	0.0	10.0 (27)	8.1 (31)	11.5 (23)	11.0 (30)	22.9 (64)	7.9 (54)	-0.2 (25)
MSCI EAFE (Net)			8.1 (63)	5.8 (63)	8.8 (55)	7.6 (56)	25.7 (47)	8.3 (47)	-0.4 (32)
Mercer Mutual Fund World ex US/EAFE Equity Median			8.7	6.4	9.0	8.2	25.1	8.1	-1.2
Brandes International Small Cap Equity Fund I	-	0.0	8.3 (67)	4.5 (83)	4.7 (85)	7.3 (56)	52.2 (1)	23.9 (1)	0.6 (18)
MSCI EAFE Small Cap (Net)			10.7 (19)	9.2 (9)	10.4 (10)	9.0 (20)	29.0 (74)	10.0 (85)	0.9 (16)
Mercer Mutual Fund World ex US/EAFE Equity Small Cap Median			8.8	6.2	8.4	7.6	30.1	12.1	-0.7
DFA Emerging Markets Core Equity Portfolio Inst	-	0.0	6.4 (47)	5.6 (48)	8.8 (54)	9.1 (50)	27.2 (30)	4.9 (29)	-6.3 (39)
MSCI Emerging Markets (Net)			6.1 (49)	5.6 (46)	9.2 (44)	8.6 (55)	18.2 (63)	-1.2 (63)	-8.1 (61)
Mercer Mutual Fund Emerging Markets Equity Median			6.0	5.5	8.8	9.0	20.0	0.3	-7.4

Over all periods longer than 1-year, MFS (top line) exceeds benchmark performance (second line) by a significant margin, indicating it is adding value above a passive investment

In addition, relative to other non-US equity funds, the strategy stacks up very well (percentile rankings in parentheses – lower is better), ranking in top third of comparable funds over most periods.

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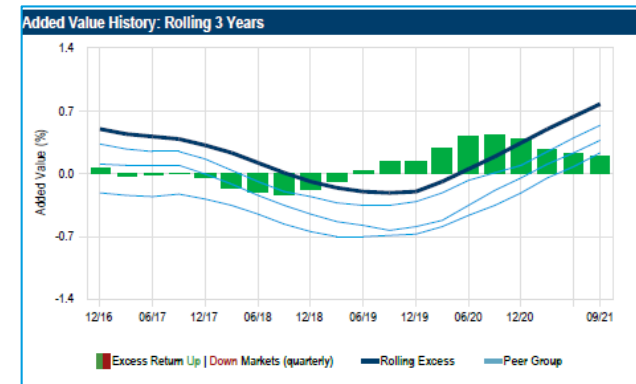
Monitoring Funds – Capital Preservation

Stable Value Fund: On an ongoing basis, the Board monitors performance of the Plan’s stable value option (as well as the FDIC-backed option) to ensure crediting rates are competitive relative to market interest rates and also other capital preservation products available.

DCP Stable Value Fund net performance as of 9/30/2021

Comparative Performance												
	10 Year	7 Year	5 Year	3 Year	1 Year	CYTD	3 Month	2020	2019	2018	2017	2016
Deferred Compensation Stable Value Fund (Net)	2.25	2.18	2.26	2.34	1.93	1.36	0.43	2.39	2.63	2.36	2.04	2.04
3 YR CONSTANT MATURITY + 50bps	1.56	1.77	1.90	1.56	0.82	0.64	0.23	0.84	2.39	3.12	2.09	1.49
Merger Instl Stable Value Net Median	1.81	1.77	1.83	1.94	1.54	1.12	0.35	1.93	2.25	1.94	1.69	1.65
Peer Rank	1	1	1	3	16	19	21	2	1	1	6	1

Over all periods, the DCP Stable Value Fund has exceeded the theoretical benchmark yield of a 3-year Treasury + 0.50%, indicating its competitive return relative to short-term treasuries. Further its relative performance compared to other SV funds is very competitive as its Peer Rank is in the top percent over the 10-, 7- and 5-year periods. Finally, rolling performance over many years has been consistently strong.



	3Q21	2Q21	1Q21	4Q20
Mkt/Book Value Ratio	102.7%	103.2%	103.0%	104.6%
Avg. Quality - Book Value	AA-	AA-	AA-	AA-
Effective Duration (yrs)	3.06	3.05	3.07	2.87
Net Blended Yield (after all fees)	1.70%	1.76%	2.00%	2.17%

Monitoring goes beyond simply reviewing returns. The SV Fund’s market-to-book ratio is examined to ensure it is trading at a “healthy” level in light of current market conditions. Credit quality and duration (interest rate risk) are also monitored.

Investment Policy Statement

Monitoring Funds – Qualitative Assessment

Aside from focusing solely on quantitative factors, it's important to qualitatively evaluate fund managers since assessing non-performance attributes like research quality, portfolio construction, and other factors may be more predictive of future results than trailing performance.

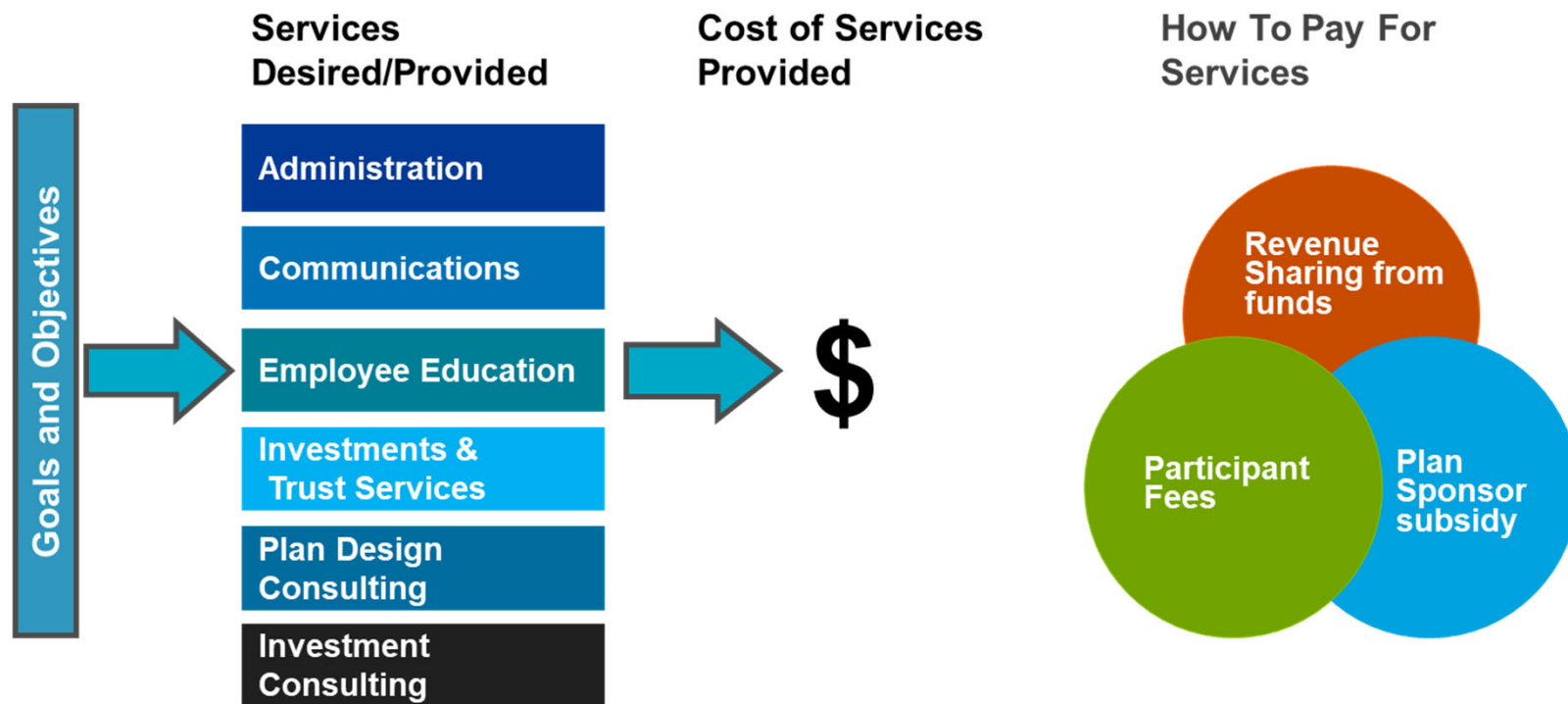
Qualitative assessment of MFS

Factor	Factor Score	Comments
Idea Generation	■■■□	The portfolio managers are experienced and savvy investors who make good use of a long-standing and disciplined investment philosophy and process. They leverage their colleagues in the broader core global/international equity portfolio management team as well as the global analyst platform.
Portfolio Construction	■■■□	The portfolio is well-diversified and generally reflects the stated philosophy of the team which emphasizes quality growth companies. Portfolio risk is addressed at the onset via security selection.
Implementation	■■□□	MFS monitors capacity constraints. We are mindful of the high overlap in holdings between this strategy and other global and international equity strategies managed by the firm, but we do not believe this is a current concern. Additionally, MFS monitors a stock's liquidity at the firm level.
Business Management	■■■□	MFS is a well-managed and stable firm, which is focused solely on asset management and has a supportive parent company. We believe it has the necessary resources and culture for its investment capability to be maintained or enhanced over time.
ESG Rating	ESG2	MFS has invested in resources to support ESG analysis, voting and engagement, and has a disciplined and systematic process to integrate ESG considerations in investment decisions. At a strategy level, the analysts are well informed and thoughtful about the ESG issues that may affect their stocks.
Overall Rating	B+	Our conviction in the MFS International Equity strategy is based on our high regard for the portfolio management team and its disciplined and consistent process. Also, the strategy benefits from ideas contributed by the broader global/international core equity team. We like the synergy between team members and the firm's collaborative culture which we maintain ensures that the focus of both portfolio managers and research analysts is on the strategy's investment performance.

Investment Policy Statement

Expense Monitoring

Plan fiduciaries are charged with monitoring fees for services provided and routinely should seek to attain best pricing for the Plan



Investment Policy Statement

Expense Monitoring

City of Los Angeles
Investment Expense Analysis
September 30, 2021



The DCP is offering well below peer group median cost for all funds.

Fund	Style	Fund Balance	Estimated Fund Expense	Fund Net Expense Ratio	Median Net Expense Ratio ¹	Net Expense Diff.	Expense Rebate	Expense Ratio after Expense Rebate
FDIC-Insured Savings Account	Cash Equivalents	\$495,186,300	N/A	N/A	N/A	N/A	N/A	N/A
Deferred Compensation Stable Value Fund (Net)	Stable Value	\$1,312,991,376	\$3,492,557	0.27%	0.36%	-0.08%	0.00%	0.28%
DCP Bond Fund	US Fixed	\$224,613,078	\$561,533	0.25%	0.42%	-0.17%	0.10%	0.15%
Ultra Conservative Profile	Risk-based	\$122,567,940	\$335,034	0.27%	0.62%	-0.34%	0.06%	0.22%
Conservative Profile	Risk-based	\$273,943,714	\$811,353	0.30%	0.62%	-0.32%	0.06%	0.24%
Moderate Profile	Risk-based	\$536,051,129	\$1,881,673	0.35%	0.75%	-0.40%	0.07%	0.28%
Aggressive Profile	Risk-based	\$559,716,887	\$2,156,916	0.39%	0.75%	-0.36%	0.06%	0.33%
Ultra Aggressive Profile	Risk-based	\$323,491,526	\$1,326,854	0.41%	0.75%	-0.34%	0.05%	0.36%
DCP Large Cap Stock Fund	US Large Cap Equity	\$2,660,121,701	\$532,024	0.02%	0.17%	-0.15%	0.00%	0.02%
DCP Mid Cap Stock Fund	US Mid Cap Equity	\$407,765,509	\$1,794,168	0.44%	0.77%	-0.33%	0.23%	0.21%
DCP Small Cap Stock Fund	US Small Cap Equity	\$367,634,303	\$1,642,100	0.45%	0.85%	-0.40%	0.10%	0.35%
DCP International Stock Fund	International Equity	\$255,236,801	\$1,853,657	0.73%	0.79%	-0.06%	0.03%	0.70%
Schwab PCRA Self-Directed Brokerage Account	Brokerage Window	\$1,276,829,367	N/A	N/A	N/A	N/A	N/A	N/A
<i>Total investment expense (includes cash and brokerage; excludes assets on loan to participants)²</i>		\$8,816,149,631	\$16,387,870	0.19%			0.03%	0.16%
<i>Total investment expense (includes cash and brokerage; excludes assets on loan to participants) after expense rebate²</i>		\$8,816,149,631	\$13,670,472	0.16%				
<i>Administrative & Other Expenses (excludes assets on loan to participants)^{2,3}</i>		\$8,816,149,631	\$2,912,198	0.03%				
Total "All-in" Expenses including Admin & Other Expense (excludes assets on loan to participants)²		\$8,816,149,631	\$16,787,506	0.19%				

¹Median Net Expense Ratio as defined by the respective Mercer mutual fund universe and Lipper institutional share class categorizations. The median stable value management fee is derived from the 2Q21 Mercer's stable value survey. Profile funds are compared to the median institutional expense ratio of the corresponding Mercer Mutual Fund Target Risk Universe.

² Loan Account balance as of 9/30/2021 was \$177,205,297.

³ The Administrative & Other Expenses (excludes assets on loan to participants) of \$2,912,198 shown above is an estimate and reflects a quarterly per participant fee of 0.023% on the first \$115K of balance. The number of participants with a balance less than or equal to \$115K during the quarter was 31,774, and total assets for this group amounted to \$1,063,425,666. There were 18,890 participants with balances in excess of \$115K with a billable balance of \$2,172,350,000. The total participant

Investment Policy Statement

Expense Monitoring - Approved and Recommended Providers

In the recent procurement cycle, the Board has taken steps to identify high quality investment products which in many cases represent a reduction in DCP expense ratios, reinforcing the continual focus that DCP fiduciaries place on optimizing costs for participants.

Funds	Underlying Managers	Vehicle	Strategy Expense Ratio	Blended Expense Ratio
DCP Stable Value Fund	<i>Galliard Stable Value Fund*</i>	<i>Separate Account</i>	0.26%	0.26%
DCP Bond Fund	<i>Vanguard Total Bond Market Index*</i>	<i>CIT</i>	0.03%	0.10%
	Manulife Core Plus Fixed Income*	CIT	0.17%	
DCP Large Cap Stock Fund	<i>Vanguard 500 Index*</i>	<i>CIT</i>	0.01%	0.01%
	<i>Vanguard Mid Cap Index*</i>	<i>Mutual Fund</i>	0.03%	
DCP Mid Cap Stock Fund	Allspring Special Mid-Cap Value Equity*	CIT	0.45%	0.25%
	BlackRock Fundamental Mid-Cap Growth Equity*	CIT	0.50%	
DCP Small Cap Stock Fund	<i>Vanguard Small Cap Index*</i>	<i>Mutual Fund</i>	0.03%	0.43%
	Neuberger Berman Active Small-Cap Value Equity*	CIT	0.75%	
	Columbia Threadneedle Small-Cap Growth Equity*	CIT	0.50%	
DCP International Stock Fund	<i>MFS International Equity**</i>	<i>CIT</i>	0.46%	0.55%
	FIAM Select International Small Cap Equity**	CIT	0.85%	
	Columbia Threadneedle Emerging Markets Opportunity**	CIT	0.56%	

*Approved

**Recommended

Incumbent options shown in italics. The Vanguard Total Bond Market Index, Vanguard 500 Index and MFS International Equity Funds are currently invested in the mutual fund vehicles and will be transitioning to CIT vehicles.

Investment Policy Statement

Appendix – Investment Profiles

Appendix A

- The Appendix shows details of:
 - The investment option profiles
 - DCP Deposit Savings Account

Investment Option Profiles

Option	DCP Deposit Savings Account
Objectives	<ul style="list-style-type: none"> ▪ No principal loss ▪ Income consistent with the foregoing objective
Primary Investments	Demand deposit accounts with multiple reputable banks that are backed by the FDIC. Amounts held in excess of FDIC limits, currently \$250,000 per bank will be collateralized pursuant to California Government Code Sections 16521, 16610-16622, and 16625-16629, as applicable.
Source of Return	<ul style="list-style-type: none"> ▪ Interest income
Expected Return	Low
Expected Risk	Low
Investment Vehicle	Bank demand deposit account insured by the FDIC
Portfolio Structure	Typically account will be administered by three different institutions with equal portions of the total asset pool, but this may change in accordance with the policy set forth in Appendix B.

Option	DCP Stable Value
Objectives	<ul style="list-style-type: none"> ▪ Preservation of Capital ▪ Returns in excess of money market funds ▪ Income commensurate with a short duration, high quality bond portfolio
Primary Investments	Traditional investment contracts issued by banks and insurance companies, synthetic contracts, money market instruments, short-duration fixed income securities or commingled vehicles investing in such securities, and separate account contracts.
Source of Return	<ul style="list-style-type: none"> ▪ Contract income ▪ Interest income
Expected Return	Low
Expected Risk	Low

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Appendix B

DCP Deposit Savings Account Allocation Policy

The Deferred Compensation Plan's FDIC-Insured Savings Account option's (FDIC Option's) foremost objective is capital preservation. Secondly, the FDIC Option will seek to optimize returns in a prudent manner without compromising its primary objective. The FDIC Option uses multiple bank providers in order to provide an enhanced level of insurance coverage to Participants. The number of providers used will be a function of many factors including market conditions, participant utilization and balances, Board risk tolerance, and operational feasibility.

Typically this account will be administered by three different institutions with equal allocations of the total asset pool. The Board may adjust these allocations based on both institutional viability as well as interest rate differentials.

Institutional Viability – Because the capital preservation objective of the FDIC Option is directly related to the institutional viability of the underlying providers, the Board reserves the right to adjust the allocations among its providers in the event that the Board, in consultation with its staff and Investment Consultant, determines that a provider's financial conditions have deteriorated significantly and present a strong risk of near-term insolvency or similar institutional deterioration. In this event, the Board reserves the right to remove any or all of the assets from the at-risk provider and shift those assets to the remaining providers.

Interest Rate Differentials - While it is expected that FDIC Option bank accounts will pay interest based on short-term market rates, it is recognized that they may use different reference rates which could differ meaningfully at certain points of the interest rate cycle. Consequently, the Board will regularly review rates offered by each of the FDIC Option's bank providers to determine whether yield enhancements could be delivered to participants in a manner consistent with capital preservation. The review process will be conducted as follows:

Step 1: Annually, the Board and Staff will direct the Investment Consultant to analyze current rates offered by each of the FDIC option providers to determine if any rate dominates the others by more than 0.25%. In addition, the Investment Consultant will conduct an informal survey of major banks' then current demand deposit rates to understand if better investment opportunities may exist.

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Investment Policy Statement

Appendix – Risk Profile Allocations

DCP Risk Profile Portfolios Allocation	<i>Ultra Conservative (%)</i>	<i>Conservative (%)</i>	<i>Moderate (%)</i>	<i>Aggressive (%)</i>	<i>Ultra Aggressive (%)</i>
DCP Stable Value	35.0	15.0	0.0	0.0	0.0
DCP Bond Fund	50.0	50.0	42.0	25.0	10.0
DCP Large Cap Stock Fund	6.0	15.0	20.0	25.0	30.0
DCP Mid Cap Stock Fund	2.0	3.0	6.0	8.0	10.0
DCP Small Cap Stock Fund	2.0	3.0	6.0	8.0	10.0
DCP International Stock Fund	5.0	14.0	26.0	34.0	40.0
Total	100.0	100.0	100.0	100.0	100.0

Investment Policy Statement

Appendix – Benchmarks

Investment Option	Comparative Manager Peer Group Median	Relative Market Index
DCP Stable Value Fund	Stable Value Universe	3-year Constant Maturity Treasury + 50 bps after 7/1/2008 (50% Citigroup 3-month T-bill/50% ML 1-3 Treasury Index for prior dates)
DCP Bond Fund	Core Bond Universe	Bloomberg Barclays US Aggregate Bond Index
– Active Bond Mgr.	Core Bond Universe	Bloomberg Barclays US Aggregate Bond Index
– Passive Bond Mgr.	Bond Index Universe	Bloomberg Barclays US Aggregate Bond Index
DCP Risk Profile Portfolios	Respective Target Risk Universes	Custom indices*
DCP Large Cap Stock Fund	US Large Cap Index Universe	S&P 500 Index
DCP International Stock Fund	World ex-US Universe	DCP International Stock Custom Benchmark*
– Developed Int'l Mgr.	World ex-US Universe	MSCI EAFE Index
– Emerging Markets Mgr.	Emerging Markets Universe	MSCI Emerging Markets Index
– International Small Cap	Int'l Small Cap Universe	MSCI EAFE Small Cap Index
DCP Mid Cap Stock Fund	US Mid Cap Core Universe	DCP Mid Cap Stock Custom Benchmark*
– Active Mid Value Mgr.	US Mid Cap Value Universe	Russell Midcap Value Index
– Active Mid Growth Mgr.	US Mid Cap Growth Universe	Russell Midcap Growth Index
– Passive Mgr.	US Mid Cap Index Universe	CRSP US Mid Cap Index or index currently tracked by the passive fund
DCP Small Cap Stock Fund	US Small Cap Core Universe	DCP Small Cap Stock Custom Benchmark*
– Active Small Value Mgr.	US Small Cap Value Universe	Russell 2000 Value Index
– Active Small Growth Mgr.	US Small Cap Growth Universe	Russell 2000 Growth Index
– Passive Mgr.	US Small Cap Index Universe	CRSP US Small Cap Index or index currently tracked by the passive fund

Note: Bold indicates primary benchmark for fund of fund option.

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