

**Knoxville Utilities Board  
Board Meeting Minutes  
Thursday, June 15, 2023 Noon**

**Call to Order**

The Knoxville Utilities Board met in regular session in the Larry A. Fleming Board Room at 445 S. Gay Street, on Thursday, June 15, 2023, pursuant to the public notice published in the January 7, 2023, edition of the *News Sentinel*. Chair Simpson-Brown called the meeting to order at 12:00 p.m.

**Roll Call**

Commissioners Present: Claudia Caballero, Ron Feinbaum, Cynthia Gibson, Kathy Hamilton, Celeste Herbert, Adrienne Simpson-Brown, and Tyvi Small.

Commissioners Absent: None

**Approval of Minutes**

Upon a motion by Commissioner Herbert and a second by Commissioner Feinbaum, the May 18, 2023 Board Meeting minutes were approved by a roll call vote. The following Commissioners voted "aye": Caballero, Feinbaum, Gibson, Hamilton, Herbert, Simpson-Brown, and Small. No Commissioner voted "nay".

**Old Business**

None

**New Business**

**Resolution 1480 – A Resolution Adopting the Amended and Restated Investment Policy of the Knoxville Utilities Board Pension Plan**

**Resolution 1481 – A Resolution Adopting the Amended and Restated Investment Policy of the Knoxville Utilities Board Asset Accumulation 401(k) Plan**

President Gabriel Bolas recognized Chris Hood, Director of Finance, to present for the Board's consideration resolutions to amend the Investment Policies of the KUB Pension and KUB 401(k) Plans.

As the adoption of these resolutions were recommended by the Audit and Finance Committee, no motion and second were required for these resolutions.

June 15, 2023

Resolution 1480 (*Attachment 1*) was adopted by a roll call vote on first and final reading. The following Commissioners voted "aye": Caballero, Feinbaum, Gibson, Hamilton, Herbert, Simpson-Brown, and Small. No Commissioner voted "nay".

Resolution 1481 (*Attachment 2*) was adopted by a roll call vote on first and final reading. The following Commissioners voted "aye": Caballero, Feinbaum, Gibson, Hamilton, Herbert, Simpson-Brown, and Small. No Commissioner voted "nay".

## President's Report

### TVA EnergyRight Workshops Overview

President Gabriel Bolas advised the Board that KUB is active in assisting customers with energy and water conservation by connecting with the community through outreach opportunities. He recognized Grayson Byard in Environmental Stewardship, and Harley Bryant, Customer Support Supervisor, to share an overview of the Energy and Water Savings Workshops.

### Boyd's Bridge Waterline & Force Main Event Review

President Bolas reminded the Board KUB recently experienced an unusual operational incident on both the Water and Wastewater systems. He expressed his gratitude to employees for the quick response to address the situation and maintain services to our customers. He recognized Herschel Hall, a Water Systems Engineer, to share an overview of the events.

## Other Business

None

## Public Comment

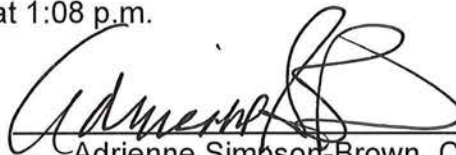
Madelyn Collins

## Adjournment

There being nothing further to come before the Board, Chair Simpson-Brown declared the Board meeting adjourned at 1:08 p.m.



Mark Walker, Board Secretary



Adrienne Simpson-Brown, Chair

**Attachments**

Attachment 1	Recommendation Letter and Resolution 1480 – A Resolution Adopting the Amended and Restated Investment Policy of the Knoxville Utilities Board Pension Plan	<b><u>Page(s)</u></b> 12035-12056
Attachment 2	Resolution 1481 – A Resolution Adopting the Amended and Restated Investment Policy of the Knoxville Utilities Board Asset Accumulation 401(k) Plan	12057-12076



June 9, 2023

Knoxville Utilities Board  
445 S. Gay Street  
Knoxville, Tennessee 37902-1109

Commissioners:

The June 15 Board meeting agenda includes two official action items, the amendment and restatement of our Pension Plan and 401(k) Investment Policies, both of which come to the Board via a recommendation from the Audit and Finance Committee.

**Resolutions 1480 and 1481**

Resolutions 1480 and 1481 amend and restate the Investment Policies of KUB's Pension and 401(k) Plans, respectively.

The proposed changes to the Pension Investment Policy include the replacement and consolidation of certain asset classes. Proposed changes to the 401(k) Investment Policy provide for the potential addition of new asset classes for participant-directed investments.

The Retirement System Investment Committee, upon consultation with the system's investment advisor and counsel, recommended the proposed changes to the President and CEO. The proposed amended and restated investment policies were discussed with the Board's Audit and Finance Committee at the Committee's May 3<sup>rd</sup> meeting. The Committee adopted resolutions for each amended and restated policy recommending their adoption by the full Board.

Enclosed is a letter summarizing the proposed changes to the policies, draft and red-lined versions of the amended and restated policies, recommendation letters from the Retirement System's Investment Advisor and Counsel, and copies of the Audit Committee resolutions recommending adoption of the amended and restated policies by the Board.

Drafts of Resolutions 1480 and 1481 are also enclosed for your information. I recommend the approval of both resolutions on first and final reading.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gabriel Bolas", written in a cursive style.

Gabriel J. Bolas II  
President and CEO

## RESOLUTION NO. 1480

### **A Resolution Adopting the Amended and Restated Investment Policy of the Knoxville Utilities Board Pension Plan**

**Whereas**, the Knoxville Utilities Board of Commissioners ("Board") previously adopted Resolution 979, as amended, establishing the KUB Retirement System, which includes a Pension Plan ("Plan"); and the Plan has an Investment Policy ("Policy"), previously approved by the Board, relating to the participant-directed investment of Plan accounts; and

**Whereas**, the Policy is intended to be dynamic in nature and updated and revised as circumstances change; and through Resolution No. 979, as amended, the Board delegated certain responsibilities for the administration of the Policy to the Retirement System Investment Committee, reserving to the Board approval of Policy amendments; and

**Whereas**, the Retirement System Investment Committee, upon the advisement of the Retirement System's Investment Advisor and Counsel, recommended certain changes to the Policy to the President and CEO, including the recommendation to replace the REIT asset class with U.S. Core Real Estate, replace Convertibles with Multi Asset Credit, consolidate separate Long Duration and Core Fixed Income to broad Fixed Income, and consolidate separate Small and Mid-Cap Domestic Equity with Small, Mid, or SMID Cap Domestic Equity; and

**Whereas**, the proposed amended and restated Policy has been presented to and reviewed by the Board's Audit and Finance Committee ("Committee"), which found the proposed amended and restated Policy to be appropriate and in the best interest of KUB and the Plan and recommended its adoption by the Board through its adoption of Resolution AF-92.

**Now, Therefore, Be It Hereby Resolved by the Board of Commissioners of the Knoxville Utilities Board:**

**Section 1.** The Board hereby adopts the amended and restated Policy, attached hereto as Exhibit 1, which shall replace and supersede any Investment Policy previously adopted by the Board for the Plan.

**Section 2.** That the amended and restated Investment Policy for the KUB Pension Plan shall become effective July 1, 2023.

Adrienne Simpson-Brown/s  
Adrienne Simpson-Brown Chair

Mark Walker/s  
Mark Walker, Board Secretary

APPROVED ON 1<sup>st</sup>  
& FINAL READING: 6-15-23  
EFFECTIVE DATE: 6-15-23  
MINUTE BOOK 46 PAGE 12036-12056

**KNOXVILLE UTILITIES BOARD**  
**PENSION PLAN**  
**STATEMENT OF INVESTMENT POLICY**

**JULY 1, 2023**

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## I. INTRODUCTION

The Knoxville Utilities Board (“KUB”) Retirement System (“Retirement System”) consists of two plans: the KUB Pension Plan (“Pension Plan”) and the KUB Asset Accumulation 401(k) Plan (“401(k) Plan”). The Pension Plan is closed to new entrants. Employees last hired on or before December 31, 2010, are covered by both Plans; employees last hired after December 31, 2010, are covered by the 401(k) Plan. The Plans provide retirement, death and disability benefits to participants, retirees and beneficiaries (collectively, “Participants”).

Funding for the Pension Plan is primarily the responsibility of KUB, although a small number of Participants in a prior closed plan make employee contributions. Funding methods and objectives are described in KUB’s established Funding Policy (“Funding Policy”).

KUB is responsible for investment of Pension Plan Trust assets and this Statement of Investment Policy (“Policy”) sets out its goals and objectives in that regard.

Depending on the circumstances, the Pension Plan Trust fund (“Fund”) employs various forms of investment managers, including managers of separate accounts (“Separate Account Investment Managers”), managers of commingled or collective accounts or trusts, and mutual funds to manage designated portfolios consisting of investments in particular asset classes. As used in this Policy, “Investment Manager” is intended to refer to all such managers unless otherwise specified. To the extent a portion of the Fund is invested in a mutual fund or other commingled vehicle, such mutual fund or commingled vehicle shall be evaluated based on this Policy, although KUB recognizes that fund or vehicle is actually invested exclusively pursuant to its own investment policy and guidelines, which are reviewed by the Investment Committee upon selection.

## II. PURPOSE

The purpose of this Policy is to define the investment objectives, guidelines and performance standards for the assets of the Fund, formulated in response to the following:

- The anticipated financial needs of KUB;
- Consideration of risk tolerance; and
- The need to document and communicate objectives, guidelines and standards to the Investment Managers.

This Policy represents the formal document for the investment of the Fund's assets and is to be communicated to the Separate Account Investment Managers for their use in developing an appropriate investment program and to the Trustee for its use in exercising its fiduciary responsibility. This Policy is also used as the basis for measurement and evaluation of investment performance of Investment Managers by the Investment Committee of the Retirement System ("Investment Committee") and its Investment Consultant.

This Policy is intended to be dynamic in nature and will be updated and revised as circumstances change.

This Policy was last amended effective July 1, 2023, on the approval of the KUB Board of Commissioners ("Board") based on the Investment Committee's recommendation, with the advice of the Investment Consultant, Mercer Investment Consulting, LLC.

### III. RESPONSIBILITIES

KUB is responsible for assuring that the investment program for the Fund is managed:

- Prudently and in compliance with applicable laws and regulations; and
- For the exclusive benefit of Participants.

In Resolution No. 979, as amended (“Retirement System Resolution”), the Board established the Retirement System and delegated to the Investment Committee certain responsibilities. The primary responsibilities of the Investment Committee are listed below. For a complete description of the responsibilities of the Investment Committee and other various parties, please refer to the Retirement System Resolution, the Pension Plan Document and Pension Plan Trust Agreement.

- Recommend to the President and CEO, for recommendation to the Board, a Policy for the Pension Plan and amendments to such Policy from time to time;
- Implement procedures for the investment, management, supervision and control of the Fund;
- Recommend to KUB's President and CEO appointment and removal of Trustees;
- Communicate the Policy to Separate Account Investment Managers;
- Monitor and evaluate investment performance;
- Recommend modification of the investment types as appropriate; and
- Recommend to the President and CEO appointment of Investment Managers, and removal or replacement, if, at the discretion of the Investment Committee based on the advice of the Investment Consultant, the Investment Managers fail to meet performance expectations set forth in this Policy over the long-term.

The Investment Committee shall meet several times a year to review the performance of the Investment Managers and hear from its Investment Consultant and any Investment Managers invited to appear. Any changes in the Policy may be initiated by the Investment Committee upon motion of any member. Recommendations for changes approved by the Investment Committee are transmitted to KUB's President and CEO for presentation through the Audit and Finance Committee to the Board. Changes are effective upon approval by the Board.

This Policy establishes Standards of Measurement for each investment category within the Pension Plan. The benchmarks used in the Standards of Measurement are designated in the Appendix to this Policy. The Board has delegated to the President and CEO

responsibility and authority to amend the Appendix of Indices or Standards of Measurement and those benchmarks from time to time based on the recommendation of the Investment Committee, which shall act upon the advice of the Investment Consultant. The President and CEO is required to report to the Audit and Finance Committee of the Board prior to adopting changes in such Appendix or benchmarks for Standards of Measurement. The President and CEO shall cause any such amended Appendix to be attached to this Policy whenever such changes are made.

### **Delegation of Responsibilities**

Under the Charter of the City of Knoxville, Section 1107(j), the Retirement System is authorized to delegate certain responsibilities to qualified agents to assist it in properly meeting the overall Retirement System responsibilities as outlined above. Specifically, in the Retirement System Resolution, the Board has delegated responsibility: to the President and CEO to appoint a Trustee and Investment Managers; to the Administrative Committee of the Retirement System to select Legal Counsel and an Actuary; and to the Investment Committee to appoint an Investment Consultant.

- **Trustee** – The designated Trustee is delegated the following responsibilities:
  - Except to the extent delegated to the Investment Managers, perform, participate in and exercise such rights, privileges, duties and responsibilities possessed by any other owner or holder of bonds or other evidence of indebtedness and common and preferred stock;
  - Safekeep all assets including securities, cash and cash equivalents;
  - Receive instructions from Investment Managers to purchase and sell various securities and ensure that transactions are settled according to established settlement procedures;
  - Provide monthly transaction accounting on security holdings with reports provided to the Retirement System in a timely manner;
  - To the extent requested by the Retirement System, disburse Pension Plan benefits and Retirement System expense payments and process annual tax reporting to the Internal Revenue Service, vendors, and Participants in a timely manner; and
  - Provide oversight responsibility relating to the security and safekeeping of Pension Plan Trust assets normally expected of a Trustee acting in this capacity.
- **Investment Managers** – The designated Investment Managers are charged with the following responsibilities:

- Adhere to the Investment Guidelines contained in this Policy or the investment policy for the mutual fund or commingled vehicle;
- Exercise complete investment discretion within the boundaries of the restrictions outlined in this Policy or the investment policy for the mutual fund or commingled vehicle;
- Strictly comply with all of the provisions of applicable law as they pertain to the Investment Manager's dealings, functions and responsibilities as fiduciaries;
- Diversify the portfolio so as to minimize the risk of large losses unless, under the circumstances, it is clearly prudent to not so diversify;
- Invest the assets of the Fund with care, skill, prudence and diligence under circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims;
- As to Separate Account Investment Managers, acknowledge in writing the recognition and acceptance of full responsibility as a fiduciary under applicable federal and state legislation, and the Investment Manager's intention to comply with this Policy as it currently exists or as it is modified in the future, by signing the statement at the end of this Policy.
- Report investment performance to the Retirement System.
- **Investment Consultant** – The designated Investment Consultant is charged with the following responsibilities:
  - Provide comprehensive, periodic evaluations of the investment results achieved by the designated Investment Managers in light of the investment guidelines and performance standards contained in this Policy;
  - Make recommendations to the Retirement System of appropriate actions to be considered which, in the Investment Consultant's opinion, will enhance the probability of achieving overall Fund objectives. Such recommendations may include, but are not limited to:
    - Use of alternate asset strategies, asset allocation or asset classes;
    - Changes in Policy;
    - Changes in designated Investment Managers;

- Assist the Retirement System in monitoring, screening and selecting Investment Managers, as appropriate.
- **Legal Counsel** – The Retirement System’s designated Legal Counsel will advise and represent KUB, the Board and the Retirement System in all matters requiring legal insight and advice pertaining to the Retirement System.
- **Actuary** – The Retirement System’s designated Actuary shall have the following responsibilities:
  - Prepare, on a frequency determined by the Retirement System, a comprehensive valuation of the Pension Plan’s funded status and required contribution levels, and attest to the appropriateness of the Pension Plan’s assumptions and Funding Policy; and
  - Conduct special experience and actuarial studies as required by the Retirement System.

#### IV. INVESTMENT OBJECTIVE

The investment objective of the Fund is to ensure, over the remaining life of the Fund for this closed Pension Plan, an adequate level of assets to fund the benefits for Participants at the time they are payable. In meeting this objective, the Retirement System seeks to achieve an investment return consistent with a prudent level of risk.

The Fund's goal will be to provide an annualized rate of return that is consistent with the Pension Plan's actuarial rate of return assumptions as those assumptions may be adjusted from time to time for this closed Pension Plan. The Investment Committee shall periodically review current expected annual returns for the various asset classes and the Fund as a whole to determine, in consultation with the Actuary and Investment Consultant, whether overall return expectations are consistent with KUB risk and return targets and the actuarial long-term rate of return assumption for the Pension Plan, and whether the investment objectives continue to be appropriate for the Pension Plan. The asset classes utilized and their respective weights are determined with careful consideration of the Fund's assets and liabilities. Periodic asset liability studies may be performed by the Investment Consultant, Actuary or any other qualified party and the results of such studies may be used to determine the asset classes included within the Fund and their respective weights contained herein. The current target asset structure is set out in Section V below.

Fund and portfolio performance is measured net of investment fees. As part of its performance evaluation, the Investment Committee reviews, with the assistance of the Investment Consultant, the absolute fees charged by Investment Managers as well as the relative fees of comparable managers and for the Fund as a whole.

## V. ASSET STRUCTURE

The asset structure reflects a balance of the Fund's needs for liquidity, growth of assets and KUB's risk tolerance, while taking account of the Pension Plan's long, but limited life. The current target asset mix is set out in the Asset Allocation Schedule attached to this Policy.

The strategic allocation is intended to provide reasonable assurance that the Fund's investment objective can be achieved based on historic relationships of asset class performance, using active and passive portfolio management. The Fund may include a benefit funding account to provide for monthly benefit and expense obligations. Liquidity is required from Separate Account Investment Managers only to meet defined payout needs, unless the Investment Managers are otherwise advised by the Retirement System.

The Investment Committee is charged with the responsibility of monitoring the overall allocation within the parameters described in the Asset Allocation Schedule.

It is understood that the target allocations are targets and that deviations may occur from time to time as a result of market impact or from short-term timing decisions implemented by either the Retirement System or, with prior approval, by the Investment Managers. The Investment Committee, with the advice of its Investment Consultant, shall be responsible for identifying deviations from the Policy and determining and implementing appropriate corrections when necessary. Any permanent changes to this Policy, with the exceptions of Asset Allocation Schedule and the Appendix of Indices, must be recommended by the Investment Committee to KUB's President and CEO and approved by the Board.

Should a Separate Account Investment Manager deem an asset structure outside the tactical range to be appropriate, the Investment Manager may deviate from this Policy only with the written approval of the Investment Committee.

This Policy recognizes that KUB may decide to provide certain benefits (e.g., retirement annuities, death benefits or disability benefits) through insurance policies, annuity contracts, or similar financial arrangements owned by the Pension Plan or by KUB.

### **Change in Asset Allocation**

The Investment Committee will regularly monitor the funding progress of the Pension Plan towards the present value of benefits (PVB), as measured by the market value of assets as a percentage of the PVB. When the funding status approaches 95%, in consultation with the Investment Consultant and the Actuary, the Investment Committee shall review and determine if the current allocation of 70% Growth Assets and 30% Defensive Assets is still reasonable and may adjust the Growth Assets to a lower limit (not lower than 60%), if appropriate, after notifying the President and CEO and Audit and Finance Committee of the Board. The relative weights of asset classes, and their target ranges, within the Growth Asset and Defensive Asset categories shall be maintained. Any such change shall be shown in a revised Asset Allocation Schedule, to be attached to this Policy.



### **Passive Investment Portfolios**

The Investment Committee is also authorized from time-to-time as it determines appropriate to direct the investment of portions of the Fund in passively managed portfolios within asset classes specifically allowed by this Policy. In that event, appropriate Standards of Measurement for any such passively managed funds shall be recommended by the Investment Committee to the President and CEO for addition to the Standards of Measurement Appendix, pursuant to the procedures described in Section III above, including reporting to the Audit and Finance Committee of the Board.

### **Exclusions**

Without the expressed written consent of the Investment Committee, a Fund shall not invest in commodities and leveraged investments, including derivatives, except when used for risk management pursuant to the Fund's established investment guidelines communicated to the Committee.

## VI. INVESTMENT GUIDELINES

Asset Classes	Securities Allowed	Diversification Required	Quality
<b>Domestic Large Cap Equity</b>	This is a passive large capitalization equity strategy, designed to include domestic equity securities to closely track the returns and volatility of a core US large cap index.	The exposure to the securities of any one issuer should approximate the benchmark weight of the security. The account should be diversified by sector; however, sector allocations should approximate the benchmark index. All issues must be denominated in US Dollars.	The quality of securities is expected to be similar to the securities contained within the domestic large cap equity index for which the strategy is attempting to closely track. As an exception to that quality standard, the Investment Manager may hold a small amount of cash or cash equivalent instruments with maturities of less than one year and carrying a credit rating of at least A1/P1 or equivalent by a designated rating agency.
<b>Domestic Small/Mid Cap Equity</b>	Common and preferred stocks of domestic corporations and American Depository Receipts (ADRs). Such securities will be similar, but not limited to those found within a core mid cap, small cap, or SMID cap domestic equity index.	Broad industry and security diversification is desirable. Security concentration should be limited unless warranted by market environments. The securities of any one issuer are limited to 8% at market of each equity portfolio.	Only equity securities that are broadly classified as institutional quality issues are eligible for inclusion in the portfolio. The universe of stocks for selection should reflect the capitalization and style profile of the Investment Manager's benchmark.
<b>Non-US Equity</b>	A broad range of international equity securities similar to those contained in a core all-cap non-US equity index. Investment in emerging markets is permissible but should be limited to no more than 35% of each non-US equity Investment Manager's portfolio.	Broad country, industry and security diversification is desirable. Security concentration should be limited unless warranted by market environments. The securities of any one issuer are limited to 8% at market of each equity portfolio.	Only equity securities that are broadly classified as institutional quality issues are eligible for inclusion in the portfolio. The universe of stocks for selection should reflect the capitalization and style profile of the Investment Manager's benchmark.
<b>Multi Asset Credit</b>	Investment in the following types of debt securities, but not limited to: high yield bonds, senior secured floating rate loans, convertible bonds, and sovereign and corporate bonds. Investment should exclude emerging market debt.	Broad country, industry and security diversification is desirable. Security concentration should be limited unless warranted by market environments. The securities of any one issuer are limited to no more than 10% or 30% of assets in any one industry.	Due to the nature of this asset class, a certain portion of this portfolio is invested in below investment grade issues. For securities that are not rated, the Investment Manager shall maintain a review system consistently applied to provide risk controls.

Asset Classes	Securities Allowed	Diversification Required	Quality
<b>US Core Real Estate</b>	Investments should be through an institutional, US core real estate fund or real estate investment trust (REIT). The fund should be focused on investments in US commercial real estate assets.	The fund should be diversified across property types and geographies. The four primary property types for investment should be office, industrial, retail, and multifamily. Investments in other property types may also be appropriate. Investments in properties under development or redevelopment should generally be limited to no more than 25% of the portfolio.	The fund should be focused on investments in high quality US commercial real estate properties.
<b>Fixed Income</b>	US Government and Agency securities, and appropriately liquid high quality corporate bonds, mortgage-backed securities, and asset-backed securities.	Except for United States Treasury and Agency obligations, the fixed income portfolio shall contain no more than 15% exposure to any issuer. The weighted average maturity of the actively managed fixed income portfolio should not exceed 130% of the average maturity of the benchmark index. The weighted average duration should range between +/- 10% of the benchmark's duration.	Securities rated below investment grade (below BBB) should not represent more than 10% of the portfolio at cost or market. When securities rated higher than BBB fall below investment grade, the Investment Committee should be notified by the Investment Manager(s). The average quality of the portfolio shall be no less than AA. If a security is "split-rated" by two or more of the major rating agencies, the lower rating shall be used.
<b>Cash Equivalents</b>	Debt securities of any US entity not otherwise prohibited, with maturities of not more than 13 months, through a short-term investment fund.	No more than 10% of the cash portfolio shall be invested in Certificates of Deposit or Banker's Acceptances issued by any single bank. No more than 35% of the cash portfolio shall be invested in commercial paper, with no more than 5% of the portfolio invested with any single issuer of commercial paper.	Only cash equivalents with the following minimum quality ratings from designated rating agencies are eligible for inclusion in the portfolio: Commercial Paper: A1/P1 or equivalent; Certificates of Deposit and Banker's Acceptances: AA- to Aa3; Repurchase Agreements: US Government or agency securities..

## VII. STANDARDS OF MEASUREMENT

Standards used to measure investment performance will be set forth in context with the established objectives. Each standard shall apply independently to the portfolio of each Investment Manager and, except in the case of passive management, is expected to be achieved net of investment management fees and expenses. It is understood that the Investment Managers may, from time to time, fail to meet various performance benchmarks. However, the Investment Committee will endeavor to evaluate performance, in the short term, in the context of the Pension Plan's long-term objectives.

### ***PASSIVE MANAGER STANDARDS***

#### Measurement #1

On quarterly and annual bases, the index fund should closely track performance and volatility of the designated index.

### ***ACTIVE MANAGER STANDARDS***

#### Measurement #1

Over rolling three-year periods, the performance should exceed the appropriate universe median.

#### Measurement #2

Over rolling five-year periods, the annualized performance, net of fees, should exceed the return of the appropriate benchmark.

#### Measurement #3

Over rolling five-year periods, the annualized standard deviation of the portfolio's quarterly rate of return should not exceed 150% of the appropriate index.

## VIII. INVESTMENT ADMINISTRATION

### **Documentation**

The Separate Account Investment Managers are required to submit a written statement to the Investment Committee describing their proposed investment strategy and tactics for achieving the investment goals and objectives of this Policy. They should also submit suggested revisions to this Policy whenever their strategy or tactics change significantly as a result of changing market conditions or other factors.

Detailed financial statements are to be supplied monthly by the Investment Managers.

### **Annual Review Meeting**

Each Investment Manager of an actively managed portfolio will be expected to meet at least annually with the Investment Consultant. Staff and members of the Investment Committee may also attend these meetings. The agenda for these meetings shall include, but not be limited to:

1. A presentation of investment results in light of the objectives of this Policy.
2. A discussion of investment strategies currently being executed by the Investment Manager.
3. Communication of material changes in the policy, objectives, staffing or business condition of the Investment Manager.

**Acceptance Agreement**

The undersigned Separate Account Investment Manager hereby acknowledges its appointment as a named fiduciary in accordance with the Advisory Agreement between the Investment Manager and KUB and agrees that this Statement of Investment Policy (revised effective July 1, 2023) shall be incorporated as a part of the Investment Manager’s Advisory Agreement with KUB and shall be substituted for any previous Statement of Investment Policy agreed to by KUB and the Investment Manager.

If at any time the Investment Manager believes that the objectives and guidelines contained in this Statement of Investment Policy cannot be met or performed in strict compliance with the Statement, the Investment Manager agrees to promptly notify the Chair of the Investment Committee in writing. In consideration of the Investment Manager’s initial engagement by KUB and the Investment Manager’s ongoing relationship as an Investment Manager for KUB Retirement System, the Investment Manager hereby acknowledges a complete understanding of these objectives and guidelines and agrees to abide by each of said requirements during the course of the Investment Manager’s engagement.

SEPARATE ACCOUNT  
INVESTMENT MANAGER:

Dated: \_\_\_\_\_

Name \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

## IX. ASSET ALLOCATION SCHEDULE

The target asset mix is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Tactical Ranges</u>
Domestic Equity		
Large Cap	24.0%	20% - 50%
Small/Mid Cap	16.0%	0% - 30%
Non-US Equity <sup>1</sup>	15.0%	0% - 20%
Multi-Asset Credit	7.5%	0% - 20%
US Core Real Estate	7.5%	0% - 10%
<b>GROWTH ASSETS</b>	<b>70.0%</b>	
Fixed Income	30.0%	20% - 40%
Cash Equivalents	<u>0.0%</u>	0% - 5%
<b>DEFENSIVE ASSETS</b>	<b><u>30.0%</u></b>	
Total Fund	100.0%	

### Change in Asset Allocation

As set out in the Policy, the Investment Committee, in consultation with the Investment Consultant and the Actuary, is granted authority to adjust the above allocation of Growth Assets and Defensive Assets as the Plan approaches 95% funded on a basis of Present Value of Benefits, after notifying the President and CEO and Audit and Finance Committee, so long as the allocation to Growth Assets shall not be lower than 60%. Any such change shall be shown in a revised Asset Allocation Schedule, attached to the Policy.

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<sup>1</sup> Non-US Equity Investment Managers may each have allowable tactical ranges for which they may invest a certain percentage in emerging markets. Their investments in emerging markets are purely opportunistic and therefore not included in the Total Fund's target asset allocation.

X. APPENDIX OF INDICES FOR STANDARDS OF MEASUREMENT – JULY 1, 2023  
KUB PENSION PLAN – INVESTMENT POLICY – SUMMARY OF PERFORMANCE MEASURES

Note: The Funds, asset allocations and Standards of Measurement set out in the Appendix dated May 3, 2023 to the Pension IPS dated July 1, 2016 shall continue to apply in the interim prior to the selection and appointment of Funds consistent with this July 1, 2023 Policy and the population of this Appendix. An updated Appendix shall be prepared and attached to this Policy to reflect those appointments.

Portfolio Name / Current Investment Manager	Purpose	Investments	Measurement 1 – Rolling Return	Measurement 2 – Rolling Return	Measurement 3 – Volatility
<b>Large Cap Equity</b>					
Fidelity 500 Index Fund	On quarterly and annual bases, index should closely track performance and volatility of the S&P 500 Index		Rolling 3 Year <sup>1</sup>	Rolling 5 Year <sup>2</sup>	Rolling 5 Year <sup>3</sup>
<b>Domestic Small/Mid Cap Equity</b>			+ Median	> index	150%
Vanguard S&P Mid-Cap 400 Index Fund	On quarterly and annual bases, index should closely track performance and volatility of the S&P 400 Index				
Jennison Associates	Capital appreciation	Small Cap stocks	Rolling 3 Year	Russell 2000 Index	
<b>Non-US Equity</b>			+ Median	Rolling 5 Year	Rolling 5 Year
MFS	Capital appreciation	Non - US developed stocks	Rolling 3 Year	MSCI EAFE (net) Index	150%
TS&W	Capital appreciation	Non - US small cap stocks	Rolling 3 Year	MSCI EAFE Small Cap Index	
Fidelity Total International Index Fund	On quarterly and annual bases, index should closely track performance and volatility of the MSCI ACWI ex US IMI Index				

<sup>1</sup> On rolling three-year periods, the performance of the portfolio should exceed the median of the stated universe.

<sup>2</sup> On rolling five-year periods, the annualized performance of the portfolio, net of fees, should exceed the return of the stated index.

<sup>3</sup> On rolling five-year periods, the annualized standard deviation of the portfolio's quarterly rate of return should not exceed that of the stated index times that stated percentage.



Portfolio Name / Current Investment Manager	Purpose	Investments	Measurement 1 – Rolling Return	Measurement 2 – Rolling Return	Measurement 3 – Volatility
Multi-Asset Credit			Rolling 3 Year + Median	Rolling 5 Year > index	Rolling 5 Year 150%
TBD	Current income & capital appreciation	Multi-Asset Credit securities	Mercer US Multi-Asset Credit Universe TBD	TBD	
US Core Real Estate			Rolling 3 Year + Median	Rolling 5 Year > index	Rolling 5 Year 150%
TBD	Current income & capital appreciation	Commingled Real Estate Trust and/or REITs	Mercer US Core Real Estate Universe TBD	NAREIT	
Fixed Income			Rolling 3 Year + Median	Rolling 5 Year > index	Rolling 5 Year 150%
Agincourt	Current income	US government & corporate bonds, mortgages	Mercer US Fixed Core Manager Universe	Barclays Capital Aggregate Index	Barclays Capital Aggregate Index

12056

New asset classes, new standards of measurement, changes in benchmarks, and other similar substantive changes to this Appendix shall be reported to the Board's Audit and Finance Committee prior to adoption by the President and CEO.

All other changes, including a change in manager within an existing asset class with no change in standard of measurement and other similar changes, shall be updated in this Appendix by retirement system staff with notice to the Investment Committee upon adoption by the President and CEO.

## RESOLUTION NO. 1481

### **A Resolution Adopting the Amended and Restated Investment Policy of the Knoxville Utilities Board Asset Accumulation 401(k) Plan**

**Whereas**, the Knoxville Utilities Board of Commissioners ("Board") previously adopted Resolution 979, as amended, establishing the KUB Retirement System, which includes an Asset Accumulation 401(k) Plan ("Plan"); and the Plan has an Investment Policy ("Policy"), previously approved by the Board, relating to the participant-directed investment of Plan accounts; and

**Whereas**, the Policy is intended to be dynamic in nature and updated and revised as circumstances change; and through Resolution No. 979, as amended, the Board delegated certain responsibilities for the administration of the Policy to the Retirement System Investment Committee, reserving to the Board approval of Policy amendments; and

**Whereas**, the Retirement System Investment Committee, upon the advisement of the Retirement System's Investment Advisor and Counsel, recommended certain changes to the Policy to the President and CEO, including the recommendation to allow for Cash Equivalents, Socially Responsible, and Inflation Sensitive as permitted asset classes for participant-directed investment; and

**Whereas**, the proposed amended and restated Policy has been presented to and reviewed by the Board's Audit and Finance Committee ("Committee"), which found the proposed amended and restated Policy to be appropriate and in the best interest of KUB and the Plan and recommended its adoption by the Board through its adoption of Resolution AF-93.

**Now, Therefore, Be It Hereby Resolved by the Board of Commissioners of the Knoxville Utilities Board:**

**Section 1.** The Board hereby adopts the amended and restated Policy, attached hereto as Exhibit 1, which shall replace and supersede any Investment Policy previously adopted by the Board for the Plan.

**Section 2.** That the amended and restated Investment Policy for the KUB Asset Accumulation 401(k) Plan shall become effective July 1, 2023.

Adrienne Simpson-Brown/s  
Adrienne Simpson-Brown Chair

Mark Walker/s  
Mark Walker, Board Secretary

APPROVED ON 1<sup>st</sup>  
& FINAL READING: 6-15-23  
EFFECTIVE DATE: 6-15-23  
MINUTE BOOK 46 PAGE 12057-12076

**KNOXVILLE UTILITIES BOARD**

**ASSET ACCUMULATION  
401(k) PLAN**

**STATEMENT OF INVESTMENT POLICY**

**JULY 1, 2023**

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## I. INTRODUCTION

The Knoxville Utilities Board (“KUB”) Retirement System consists of two plans: the KUB Pension Plan (“Pension Plan”) and the KUB Asset Accumulation 401(k) Plan (“401(k) Plan”). The Pension Plan is closed to new entrants. Employees last hired on or before December 31, 2010, are covered by both Plans; employees last hired after December 31, 2010, are covered by the 401(k) Plan. The Plans provide retirement, death and disability benefits to participants, retirees and beneficiaries (collectively, “Participants”).

The 401(k) Plan is funded by Participants who elect to contribute. KUB also contributes to the 401(k) Plan on behalf of Participants. KUB takes responsibility for providing a broad range of mutual funds and similar investment options, including mutual funds and commingled or collective accounts or trusts (all of which are referred to individually or collectively as, “Fund,” or “Funds”). Participants may direct the investment of their individual 401(k) Plan Accounts among the available choices. This Statement of Investment Policy (“Policy”) sets out the goals and objectives for those investment options and provides for the designation of the default investment, in cases where a Participant does not otherwise direct the investment of any Account balance.

## II. PURPOSE

Under the 401(k) Plan, Participants are able to structure a personal investment program from the Funds offered. KUB intends to provide a range of diverse investment choices to accommodate the individual needs and risk tolerances of Participants. KUB has developed this Policy to fulfill its fiduciary obligation, to provide a basis for selecting the Funds to be made available, to establish expectations for the investment performance of those Funds to assure Participants will have access to sound investment alternatives on a continuing basis, and to document the benchmarks against which individual Funds will be measured.

This Policy:

- 1) Provides written documentation of KUB's expectations regarding the Funds offered under the 401(k) Plan.
- 2) Establishes objectives, performance standards, and guidelines for the Funds available.
- 3) Outlines criteria and procedures for the ongoing evaluation of the Funds, and the total investment program.

This Policy is intended to be dynamic in nature and will be updated and revised as circumstances change.

This Policy was last amended effective July 1, 2023, on the approval of the KUB Board of Commissioners ("Board") based on the recommendation of the Retirement System Investment Committee ("Investment Committee"), with the advice of the Investment Consultant, Mercer Investment Consulting, LLC.

### III. RESPONSIBILITIES

KUB is responsible for assuring that the investment program for the 401(k) Plan and each investment option is managed:

- Prudently and in compliance with applicable laws and regulations; and
- For the exclusive benefit of Participants.

In Resolution No. 979, as amended (“Retirement System Resolution”), the Board established the Retirement System and delegated to the Investment Committee certain responsibilities. The primary responsibilities of the Investment Committee are listed below. For a complete description of the responsibilities of the Investment Committee and other various parties, please refer to the Retirement System Resolution, the 401(k) Plan Document and 401(k) Plan Trust Agreement.

- Recommend to the President and CEO, for recommendation to the Board, a Policy for the 401(k) Plan and amendments to the Policy from time to time;
- Monitor and evaluate investment performance;
- Recommend modification of the investment options, as appropriate;
- Recommend to the President and CEO the replacement of Funds, if, at the discretion of the Investment Committee based on the advice of the Investment Consultant, such Funds fail to meet performance expectations set forth in this Policy over the long-term;
- Implement procedures for the investment, management, supervision and control of 401(k) Plan Funds;
- Recommend to KUB’s President and CEO appointment and removal of Trustees and Funds; and
- Upon the advice of the Investment Consultant, recommend to the President and CEO for approval, as part of this Policy’s attached Appendix of Indices for Standards of Measurement and Designation of Default Investment (“Appendix”), the default investment for use in cases where a Participant does not otherwise direct the investment of any 401(k) Plan Account balance; provided that the President and CEO shall report to the Audit and Finance Committee of the Board prior to approving any such default investment.

The Investment Committee shall meet several times a year to review the performance of the Funds and hear from its Investment Consultant. Any changes in the Investment Policy may be initiated by the Investment Committee upon motion of any member. Recommendations for changes approved by the Investment Committee are transmitted to KUB’s President and CEO for presentation through the Audit and Finance Committee to the Board. Changes are effective upon approval by the Board.



This Policy establishes Standards of Measurement for each investment category within the 401(k) Plan. The particular benchmarks used in the Standards of Measurement are designated in the Appendix. The Board has delegated to the President and CEO responsibility and authority to amend the Appendix and those benchmarks from time-to-time based on the recommendation of the Investment Committee, which shall act upon the advice of the Investment Consultant. The President and CEO shall report to the Audit and Finance Committee of the Board prior to adopting any such changes in the Appendix or benchmarks for Standards of Measurement. The President and CEO shall cause any such amended Appendix to be attached to this Policy whenever such changes are made.

### **Delegation of Responsibilities**

Under the Charter of the City of Knoxville, Section 1107(j), the Retirement System is authorized to delegate certain responsibilities to qualified agents to assist it in properly meeting the overall Retirement System responsibilities as outlined above. Specifically, in the Retirement System Resolution, the Board has delegated responsibility: to the President and CEO to appoint a Trustee and select Funds; to the Administrative Committee of the Retirement System to select Legal Counsel and an Actuary; and to the Investment Committee to appoint an Investment Consultant.

- **Trustee** - The designated non-discretionary Trustee is delegated the following responsibilities:
  - Except to the extent the Funds are responsible for such action, perform, participate in and exercise such rights, privileges, duties and responsibilities possessed by any other owner or holder of bonds or other evidence of indebtedness and common and preferred stock;
  - Safekeep all assets including securities, cash and cash equivalents;
  - Provide monthly transaction accounting on security holdings with reports provided to the Retirement System in a timely manner;
  - Unless and until assumed by the Retirement System or the third-party administrator, process annual tax reporting to the Internal Revenue Service and to retirees and beneficiaries in a timely manner; and
  - Provide oversight responsibility relating to the security and safekeeping of 401(k) Plan Trust assets normally expected of a Trustee acting in this capacity.

As provided in the Retirement System Resolution, for purposes of this Policy, the term, "Trustee" shall include custodians as well as trustees, and the term "Trust Agreement" shall include custody agreements as well as trust agreements, as allowed by applicable provisions of the Internal Revenue Code and IRS Regulations for tax qualified plans; provided, however, prior to accepting the Investment Committee's recommendation for the appointment of a custodian in place of the trustee of the 401(k) Plan, the President and CEO shall notify the Audit and Finance Committee.

- **Funds** – The designated Fund Managers shall undertake the following responsibilities in accordance with applicable law and the Fund prospectus:
  - Exercise complete investment discretion for investments in their Funds;
  - Strictly comply with all of the provisions of applicable law as they pertain to dealings, functions and responsibilities as Funds;
  - Diversify the Fund so as to minimize the risk of large losses unless, under the circumstances, it is clearly prudent to not so diversify; and
  - Invest the assets of the Fund with care, skill, prudence and diligence under circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims.
- **Investment Consultant** – The designated Investment Consultant shall undertake the following responsibilities:
  - Provide comprehensive, periodic evaluations of the investment results achieved by the designated Funds in light of the investment guidelines and performance standards contained in this Policy;
  - Make recommendations to the Retirement System of appropriate actions to be considered which, in the Investment Consultant’s opinion, will enhance the probability of achieving overall Fund objectives. Such recommendations may include, but are not limited to:
    - Use of traditional or alternate assets strategies or asset classes;
    - Changes in overall investment policy; and
    - Changes in designated Funds.
  - Assist the Retirement System in monitoring, screening and selecting Funds as appropriate.
- **Legal Counsel** – The Retirement System’s designated Legal Counsel will advise and represent KUB, the Board and the Retirement System in all matters requiring legal insight and advice pertaining to the Retirement System.
- **Actuary** – The Retirement System’s designated Actuary shall have the following responsibilities:
  - Conduct special experience and actuarial studies as required by the Retirement System.

#### IV. INVESTMENT OPTION STRUCTURE

##### **Investment Options**

The menu of Funds are intended to offer a broad array of investment options with different risk and return characteristics that will enable a Participant to construct a portfolio that, in the aggregate, will meet his/her own individually desired risk and return characteristics and investment goals.

The Plan offers Funds that allow Participants: to invest to preserve capital (e.g., stable value or money market Funds); to rely on professional management in pursuit of chosen risk-return characteristics (e.g., target date or target risk Funds); to individually allocate among a variety of growth and defensive asset Funds (e.g., US equity, International equity, and bond Funds); or to choose from a universe of funds available through the Brokerage Window.

The Committee will periodically review the investments in accordance with applicable good practice to determine if Funds should be modified, eliminated or added.

On the basis of those considerations, the Plan will offer Funds that may be mutual funds, commingled funds, collective investment trusts, or separate accounts in all or some of following asset classes/categories. Multiple options can be offered in each asset class to provide a broad array with different risk and return characteristics. Options can include both active and/or passively managed Funds. Specific details of currently offered Funds and Standards of Measurements can be found in the Appendix.

- A. Lifecycle/Target-Date Funds
- B. Balanced/Allocation Target-Risk Funds
- C. Cash or Equivalents
- D. Stable Value
- E. U.S. Fixed Income
- F. U.S./Global Inflation-Protection
- G. U.S. Equities
- H. Global/International Equities
- I. U.S./Global Socially Responsible Equities

##### **Self-Directed Brokerage Option**

In an effort to provide Participants with maximum investment flexibility, under rules, evaluation criteria, and procedures to be developed and modified from time-to-time by the Investment Committee, a self-directed brokerage option may be offered in the 401(k) Plan, allowing Participants to invest in a broad range of publicly traded Funds, but excluding single security investments, short sales, options, futures, limited partnerships, currency trading, and trading on margin. The Investment Committee may: set limits on the portion of a Participant's account balance that may be invested through the Self-Directed Brokerage Option; fix conditions for participation in this Option; and determine the availability of the Self-Directed Brokerage Option. Participants who elect to use the Self-Directed Brokerage Option are allocated all costs associated.

### **Review Procedures**

The Investment Committee evaluates investment fees at the time of manager selection, and periodically, both as to the Fund's absolute fees as well as compared to other managers in the appropriate universe, and in relation to the investment services provided.

Performance will be reviewed at least annually based on the Standards of Measurement defined below.

### **Standards of Measurement**

To serve as the basis for evaluation, each Fund's performance, investment management fees and transaction costs, will be evaluated against the applicable Standards of Measurement set out in the Appendix, as amended from time-to-time. From time-to-time, the Fund may not achieve one or more of these Standards of Measurement but will be expected to achieve them over the long-term.

Additionally, the Investment Committee will consider the quality and consistency of each Fund's investment team and other appropriate qualitative characteristics, including, but not limited to, material changes to a Fund's investment process, material litigation or regulatory action that may impact future performance or the reputation or stability of the provider, application of generally accepted investment theories and prevailing practices, and utilization of the Fund by Participants.

## V. GUIDELINES FOR ASSET CLASS EVALUATION

### A. Lifecycle/Target-Date Funds

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#### Purpose

Comprised of Target Date Funds which are primarily offered for Participants who wish to have their asset allocation decisions set by a Fund that uses glide paths for varying retirement dates. Multiple Target Date Funds from one family of such Funds are offered, each with a different target maturity date to accommodate Participants of varying ages and anticipated retirement dates. Participants typically choose the Target Date Fund that is closest to their target retirement date. Each Fund's asset allocation is determined by the Fund Manager's proprietary model. The mixes of the Funds are dynamic and change over time. The risk level for each Fund will vary from very high to moderate and is a function of the number of years until the Fund's expected maturity date. Later dated maturity Funds have the goal of capital appreciation, progressively shifting its investment focus to capital preservation as the Fund nears maturity date.

#### Guidelines for Evaluation

These general operating guidelines have been adopted for the Target Date Funds:

- Investment in a diversified portfolio of securities including, but not limited to, domestic and international equities and fixed income securities and/or funds.
- Target Date Funds may contain a combination of equity or equity alternative securities (American Depositary Receipts ("ADRs"), issues convertible into common stock, etc.), fixed income securities and cash equivalents.
- No specific constraints as to market capitalization, earnings cash flow record or credit quality is expected, but the overall portfolio structure should be consistent with the return and risk parameters as outlined in the Fund objective.

A Target Date Fund may be made up of underlying funds of appropriate investment or asset categories.

### B. Balanced Funds

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#### Purpose

The primary purpose of the Balanced Fund(s) is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide a balance between capital appreciation and current income. This alternative is expected to provide Participants with a professionally managed blend of equity and fixed income securities.

### **Guidelines for Evaluation**

These general operating guidelines have been adopted for the Balanced Fund(s):

- Investment in a high-quality, diversified portfolio of securities appropriately balanced as to equities and fixed income securities.
- Balanced portfolios shall mean portfolios containing a combination of equity (domestic and international) or equity alternative securities (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), fixed income securities and cash equivalents.
- The overall portfolio structure is expected to be consistent with the expectation of returns comparable to those achieved by a portfolio weighted 60% to an appropriate large cap equity benchmark and 40% to an appropriate aggregate bond benchmark and risk levels appropriate to the investment class and style of investment.

### **C. Cash or Equivalents**

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#### **Purpose**

The primary purpose of the Cash or Cash Equivalent Fund(s) is to afford Participants the opportunity to preserve capital in the short- and long-term while maintaining consistency of returns. This Fund(s), over the long-term, is expected to meet or exceed short-term interest rates in most economic environments.

#### **Guidelines for Evaluation**

These general operating guidelines have been adopted for the Cash or Cash Equivalent Fund(s):

*Appropriate Investments within the Fund:*

- Money market/short-term fixed income instruments.

### **D. Stable Value**

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#### **Purpose**

The primary purpose of the Stable Value Fund(s) is to afford Participants the opportunity to preserve capital in the short- and long-term while maintaining consistency of returns and maximum flexibility. This Fund(s), over the long-term, is expected to meet or exceed short-term interest rates in most economic environments.

### **Guidelines for Evaluation**

These general operating guidelines have been adopted for the Stable Value Fund(s):

#### *Appropriate Investments within the Fund:*

- Investment contracts (guaranteed investment contracts (“GICs”) and bank investment contracts (“BICs”)) issued by insurance companies and banks as unsecured general obligations.
- GIC separate account and synthetic GIC contracts issued by banks, insurance companies, and other financial institutions that provide for direct ownership of, or an enhanced claim on, the underlying securities supporting the contracts’ liabilities.
- Money market/short-term instruments.

### **E. U.S. Fixed Income**

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#### **Purpose**

The primary purpose of the U.S. Fixed Income Fund(s) is to afford Participants the opportunity to accumulate capital over the long-term in an option whose investment strategy is expected to provide current income and capital preservation.

### **Guidelines for Evaluation**

These general operating guidelines have been adopted for the U.S. Fixed Income Fund(s):

- Investment in a diversified, high-quality, portfolio comprised primarily of securities contained within the designated fixed income aggregate index.
- High-quality fixed-income shall mean U.S. Government and agency securities as well as corporate bonds, mortgage-backed securities, asset-backed securities and collateralized mortgage obligations (“CMOs”). The fund manager may make use of other sectors including High Yield and Emerging Market debt to increase diversification and enhance returns opportunistically.
- The overall Fund structure should be consistent with the expectation of returns comparable to those achieved by an appropriate aggregate bond benchmark and risk levels appropriate to the investment class and style of investment.

## **F. U.S./Global Inflation Protection**

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### **Purpose**

The primary purpose of the U.S./Global Inflation Protection Fund(s) is to afford Participants the opportunity to seek inflation protection through inflation sensitive investments.

### **Guidelines for Evaluation**

These general operating guidelines have been adopted for the U.S./Global Inflation Protection Fund(s):

- Investment in a diversified portfolio comprised primarily of inflation sensitive securities contained within the designated index. Investments can include, but are not limited to inflation sensitive equities, U.S. Treasury Inflation-Protected Securities (TIPS), Commodities, Precious Metals, and US Real Estate (REIT). Asset allocation to underlying asset class may vary due to market environment.
- The overall Fund structure should be consistent with the expectation of returns comparable to those achieved by an appropriate benchmark and risk levels appropriate to the investment class and style of investment.

## **G. U.S. Equities**

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### **Purpose**

The primary purpose of the U.S. Equity Fund(s) is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide capital appreciation. These Fund(s), over the long-term, are expected to offer Participants higher returns, with increased potential for volatility in the short-term.

### **Guidelines for Evaluation**

These general operating guidelines have been adopted for the U.S. Equity Fund(s):

- Investment in a diversified equity portfolio comprised primarily of stocks contained within its respective widely recognized and reported index.
- Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.



- The overall Fund structure should be consistent with the expectation of returns comparable to those achieved by the designated index and risk levels appropriate to the investment class.

## **H. Global/International Equities**

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### **Purpose**

The primary purpose of the Global/International Equity Fund(s) is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide capital appreciation. This Fund(s), over the long-term, is expected to offer Participants higher returns, with increased potential for volatility in the short-term.

### **Guidelines for Evaluation**

These general operating guidelines have been adopted for the Global/International Equity Fund(s):

- Investment in a diversified equity-oriented portfolio of stocks domiciled outside of the United States.
- Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.
- The overall portfolio structure should be consistent with the expectation of returns comparable to those achieved by an appropriate global/international equity benchmark and risk levels appropriate to the investment class and style of investment.

## **I. U.S./Global Socially Responsible Equities**

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### **Purpose**

The primary purpose of the U.S./Global Socially Responsible Equity Fund(s) is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide capital appreciation while placing an increased focus on environment, social, or governance factors identified by the Fund. This Fund(s), over the long-term, is expected to offer Participants higher returns, with increased potential for volatility in the short-term.

### **Guidelines for Evaluation**

These general operating guidelines have been adopted for the U.S./Global Socially Responsible Equity Fund(s):

- Investment in a diversified equity-oriented portfolio of stocks similar to its respective index.
- Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.
- The overall portfolio structure should be consistent with the expectation of returns comparable to those achieved by an appropriate U.S./global socially responsible equity benchmark and risk levels appropriate to the investment class and style of investment.

VI. APPENDIX OF INDICES FOR STANDARDS OF MEASUREMENT AND DESIGNATION OF DEFAULT INVESTMENT  
 KUB 401(k) PLAN – INVESTMENT POLICY – SUMMARY OF PERFORMANCE MEASURES – JULY 1, 2023

Asset Class/Current Fund Name	Purpose	Investments	Measurement 1 – Fund’s Return on a Rolling 3 Year basis: <sup>1</sup>	Measurement 2 – Fund’s Return on a Rolling 5 Year basis: <sup>2</sup>	Measurement 3 – Fund’s Volatility on a Rolling 5 Year basis: <sup>3</sup>
Target Date Funds /SSgA Target Retirement	Current Income & Capital Appreciation	Combined Equity, Fixed Income & Cash Equivalent	On quarterly and annual bases, Target Date Funds should equal or exceed target-year appropriate customized extended asset class indices developed and maintained by the SSgA and monitored by the Investment Consultant	On quarterly and annual bases, Target Date Funds should equal or exceed target-year appropriate customized extended asset class indices developed and maintained by SSgA and monitored by the Investment Consultant	Should not exceed target-year appropriate customized extended asset class indices developed and maintained by SSgA and monitored by the Investment Consultant  125%

DESIGNATION OF DEFAULT INVESTMENT

The Target Date Funds are hereby designated as the default investment in those cases where a Participant does not otherwise effectively direct the investment of any 401(k) Plan Account balance. The particular Target Date Fund, from among those offered under the 401(k) Plan, that has a target date closest to any individual Participant’s 65<sup>th</sup> birthday shall be treated as the default investment for that Participant.

<sup>1</sup> On rolling three-year periods, the performance of the Fund should exceed the performance of the stated index.

<sup>2</sup> On rolling five-year periods, the performance of the Fund should exceed the performance of the stated index.

<sup>3</sup> On rolling five-year periods, the annualized standard deviation of the Fund’s quarterly rate of return should not exceed that of the stated index times the stated percentage.

Asset Class/Current Fund Name	Purpose	Investments	Measurement 1 – Fund’s Return on a Rolling 3 Year basis: <sup>4</sup>	Measurement 2 – Fund’s Return on a Rolling 5 Year basis: <sup>5</sup>	Measurement 3 – Fund’s Volatility on a Rolling 5 Year basis: <sup>6</sup>
Balanced Fund /Dodge & Cox Balanced	Balance Current Income & Capital Appreciation	Blend of Equity, Fixed Income & Cash Equivalents	Mercer MF U.S. Balanced	60% S&P 500 & 40% Bloomberg U.S. Aggregate Index	60% S&P 500 & 40% Bloomberg U.S. Aggregate Index
Stable Value Fund /Fidelity Managed Income Portfolio	Stable Investment	GICs & BICs	FTSE 3 Month T-Bill	FTSE 3 Month T-Bill	None
U.S. Fixed Income /Fidelity U.S. Bond Index Fund	Current Income & Capital Preservation	U.S. Govt. & Corp. Bonds Average A Grade	On quarterly and annual bases, Fund should closely track performance and volatility of Bloomberg U.S. Aggregate Bond Index		
U.S. Fixed Income/ Prudential Core Plus Bond CIT	Current Income & Capital Preservation	U.S. Govt. & Corp. Bonds Average A Grade	Mercer MF U.S. Fixed Combined	Bloomberg U.S. Aggregate Bond Index	Bloomberg U.S. Aggregate Bond Index
U.S. Equities/Fidelity 500 Index Fund	Capital Appreciation	S&P 500 Stocks	On quarterly and annual bases, Fund should closely track performance and volatility of S&P 500 Index		
U.S. Equities / T.Rowe Price Institutional Large Cap Value	Capital Appreciation	Large Cap – Appreciation by Improving Valuations	Mercer MF U.S. Large Cap Value	Russell 1000 Value Index	Russell 1000 Value Index

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<sup>4</sup> On rolling three-year periods, the performance of the Fund should exceed the median of the stated universe (and in the case of the Stable Value Fund, by at least the amount stated).

<sup>5</sup> On rolling five-year periods, the performance of the Fund should exceed the return of the stated index (and in the case of the Stable Value Fund, by at least the amount stated).

<sup>6</sup> On rolling five-year periods, the annualized standard deviation of the Fund’s quarterly rate of return should not exceed that of the stated index times the stated percentage.

Asset Class/Current Fund Name	Purpose	Investments	Measurement 1 – Fund's Return on a Rolling 3 Year basis: <sup>7</sup>	Measurement 2 – Fund's Return on a Rolling 5 Year basis: <sup>8</sup>	Measurement 3 – Fund's Volatility on a Rolling 5 Year basis: <sup>9</sup>
U.S. Equities /T. Rowe Price Institutional Large Cap Core Growth	Capital Appreciation	Large Cap – Appreciation by Earnings Growth	Mercer MF U.S. Large Cap Growth	Russell 1000 Growth Index	Russell 1000 Growth Index
U.S. Equities /Fidelity Extended Market Index Fund	Capital Appreciation	Small to Mid Cap Equity	On quarterly and annual bases, Fund should closely track performance and volatility of Dow Jones U.S. Completion TSM Index		
U.S. Equities /GW&K Small/Mid Cap	Capital Appreciation	Small to Mid Cap Equity – Improved Valuations	Mercer MF U.S. Small + Mid Cap Core	Russell 2500 Index	Russell 2500 Index
Global/International Equity /Fidelity Total International Index Fund	Capital Appreciation	Non-U.S. Equity	On quarterly and annual bases, Fund should closely track performance and volatility of MSCI ACWI Ex-US IMI (net)Index		
International Equity Fund/Fidelity International Discovery	Capital Appreciation	Non-U.S. Equity	Mercer MF International Equity	MSCI EAFE (net) Index	MSCI EAFE (net) Index

MF = Mutual Fund

New asset classes, new standards of measurement, changes in benchmarks, and other similar substantive changes to this Appendix shall be reported to the Board's Audit and Finance Committee prior to adoption by the President and CEO.

All other changes, including a change in manager within an existing asset class with no change in standard of measurement and other similar changes, shall be updated in this Appendix by retirement system staff with notice to the Investment Committee upon adoption by the President and CEO.

<sup>7</sup> On rolling three-year periods, the performance of the Fund should exceed the median of the stated universe (and in the case of the Stable Value Fund, by at least the amount stated).

<sup>8</sup> On rolling five-year periods, the performance of the Fund should exceed the return of the stated index (and in the case of the Stable Value Fund, by at least the amount stated).

<sup>9</sup> On rolling five-year periods, the annualized standard deviation of the Fund's quarterly rate of return should not exceed that of the stated index times the stated percentage.

KUB 401(k) Plan Investment Policy

July 1, 2023

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