

City of Clearwater Defined Contribution Plans Investment Policy Statement

Part I. THE PLAN

The City sponsors two defined contribution plans (the "Plan" or "Plans") for the benefit of its employees and their designated beneficiaries: The City of Clearwater 401(a) Money Purchase Pension Plan and the City of Clearwater Governmental 457(b) Deferred Compensation Plan & Trust. A Committee appointed by the City serves as a fiduciary for both of the Plans. The Plans are intended to provide participants long-term accumulation of savings through contributions in the individual participant accounts and the earnings thereon.

The Plans are employee benefit plans intended to comply with all applicable federal laws and regulations, including relevant sections of the Internal Revenue Code of 1986, as well as all applicable state laws.

The Plans' participants and beneficiaries are expected to have different investment objectives, time horizons and risk tolerances. To meet these varying investment needs, participants and beneficiaries will be able to direct their account balances among a range of investment options to construct diversified portfolios that reasonably span the risk/return spectrum. Participants and beneficiaries alone bear the risk of gains or losses of their investment options and their asset allocation.

Part II. THE PURPOSE OF THE INVESTMENT POLICY STATEMENT

This Investment Policy Statement is intended to assist the Plans' fiduciaries by establishing nonbinding guidelines for making investment-related decisions in a prudent manner. It outlines the underlying philosophies and processes for the selection, periodic monitoring and evaluation of the investment options offered by the Plan.

Specifically, this Investment Policy Statement:

- Defines the Plan's investment objectives.
- Defines the roles of those responsible for the Plan's investments.
- Describes the criteria and procedures for selecting the investment options.
- Establishes investment procedures, measurement standards and monitoring procedures.
- Describes potential corrective actions the Committee can take should investment options (or their respective managers) fail to satisfy established objectives, if the Committee determines that such actions are prudent and advisable given the circumstances.
- Describes the types of educational materials to be provided to Plan participants and beneficiaries.
- Describes certain Committee obligations and related applicable laws and regulations.

The guidelines provided in this Investment Policy Statement do not constitute a contract. These guidelines are also not meant to be a statement of mandatory requirements. Rather, these guidelines are only an explanation of general principles and guidelines being currently applied for investment option selection, retention and replacement. Furthermore, these guidelines are not the sole factors considered by the Committee in the process. This Investment Policy Statement is not intended to, and shall not be deemed to expand any duties of the Committee, or its individual members, or to create duties that do not exist under applicable law.

This Investment Policy Statement will be reviewed periodically, and, if appropriate, may be amended by the Committee at any time to reflect changes in the capital markets, Plan objectives or other factors relevant to the Plan.

Part III. INVESTMENT OBJECTIVES

The Committee will select the Plan's investment options based on criteria deemed relevant, from time to time, by the Committee. These criteria may include, but are not limited to, the following:

- Maximization of return within reasonable and prudent levels of risk.
- Provision of returns comparable to returns for similar investment options.

- Provision of exposure to a wide range of investment opportunities in various asset classes and vehicles.
- Control administrative and management fees.
- Provision of appropriate diversification within investment vehicles.
- Investment manager's adherence to stated investment objectives and style.

Part IV. ROLES AND RESPONSIBILITIES

Subject to the terms of the Plan document, the Committee is responsible for selecting the recordkeeper; the investment consultant; the investment options, and the investment(s) for default(s) when a participant or beneficiary fails to provide investment direction. The Committee is also responsible for:

- Establishing and maintaining the Investment Policy Statement.
- Periodically evaluating the Plan's investments' performances and considering investment option changes.
- Periodically monitoring the performance and fees charged by service providers and investment consultants.
- Periodically monitoring any other Plan fees.
- Providing for Plan participant investment education and communication.

In executing its responsibilities, the Committee will make decisions in accordance with all applicable standards of applicable law as follows:

- In the interest of Plan participants and beneficiaries, for the purpose of providing Plan benefits and defraying reasonable administrative fees;
- In accordance with the documents and instruments governing the Plan insofar as such documents and instruments are consistent with the provisions of applicable law.

Part V. MONITORING OF SERVICE PROVIDERS

Service providers should be monitored on an ongoing and regular basis. Administrative and/or recordkeeping service providers may be benchmarked against, but not limited to, industry averages and/or other provider quotes. Monitoring for these service providers should include, but not be limited to, an evaluation of the provider's:

- Investment offerings and services
- Recordkeeping technology and services
- Compliance services and support
- Technology
- Participant access and communications
- Fees

The ongoing monitoring of the Plan's service providers is to ensure that total Plan fees, services and investment opportunities are competitive and reasonable.

Investment consultant service providers (Plan and participant level) should be monitored regularly and the evaluation should include, but not be limited to, consideration of the provider's:

- Investment due diligence processes
- Best practices guidance
- RFP/Benchmarking scope and services
- Technology
- Participant-level access, communications and advice (if applicable)
- Fees

Part VI. SELECTION OF INVESTMENT OPTIONS

Set forth below are the considerations and guidelines that the Committee should employ in fulfilling the responsibility of selecting investment options for the Plan.

The Plan intends to provide an appropriate range of investment options that, in the aggregate, will allow Plan participants to construct portfolios consistent with their unique individual circumstances, goals, time horizons and tolerance for risk. The Plan will make available to participants at a minimum, at least three broadly diversified investment options, each of which shall offer materially different risk and return characteristics and which in the aggregate are sufficient in permitting the participants, by choosing among them, to materially affect the potential return and degree of risk on their accounts, as well as minimizing the risk of large losses within the range normally appropriate for the participant. The Committee shall be responsible for the Plan-level investment selection process, as set forth in this Investment Policy Statement, but cannot guarantee investment results for any selected investment option.

Major asset classes to be considered may include, but are not limited to:

Conservative Investments

Cash and liquid investments including, but not limited to, money market, stable value and guaranteed interest accounts.

Income Investments

Income-oriented investments including, but not limited to, low, medium and high-quality bond investments, with short, intermediate and/or long-term duration. Management styles may be indexed and actively managed international, global and domestic styles.

Equity Investments

Investments that invest in equity securities, both domestic and foreign, including, but not limited to, small, medium and large market capitalization, with value, blend and growth investment objectives, which may be actively managed or indexed.

Asset Allocation Investments

Investments or accounts that invest in a combination of conservative, income and equity investments, "fund of funds" accounts combining several of the above investments into one or a series of investments, and "manager of managers" accounts combining several different investment styles and fund managers into one account or a series of accounts.

Other Investments

In addition to the foregoing major asset classes, the Committee may also consider other appropriate investments in other styles or asset classes offered through vehicles such as commingled trusts, insurance company separate accounts through a group annuity contract and mutual funds. Notwithstanding the foregoing, the Committee may consider, but is not required, to include in the investment menu any specific investment asset class, option or style.

After considering the desired asset classes, the Committee will evaluate and choose the appropriate investment option(s) desired to be offered by the Plan's investment menu. If an investment manager (responsible for the underlying investment vehicle, such as a mutual fund, commingled account, collective trust, or separate account) is chosen as a potential investment option, the following minimum criteria should be considered:

1. The investment manager should be a bank, insurance company, investment management, mutual fund company or an investment adviser registered under the Investment Advisers Act of 1940;
2. The investment's manager should operate in good standing with regulators and clients, with no material pending or concluded legal actions against it; and
3. All relevant quantitative and qualitative information on the manager and investment should be made available by the manager and/or vendor.

In addition to the minimum criteria above, the Committee should consider the following standards for selection of all investments:

1. Investment performance should be competitive with an appropriate style-specific benchmark and the median return for an appropriate, style-specific peer group (where appropriate and available, long-term performance of an investment manager may be inferred through the performance of another investment with similar style attributes managed by such investment manager);
2. Specific risk and risk-adjusted return measures should be reviewed by the Committee and be within a reasonable range relative to appropriate, style-specific benchmark and peer group;
3. The investment should demonstrate adherence to the stated investment objective, without excess style drift over trailing performance periods;
4. Fees and fee structures should be competitive compared with similar investments reasonably available to the Plan; part of this examination includes a review of the proper use of investment-generated fees (and related revenue) to offset Plan recordkeeper fees, which should also be reviewed on a periodic basis;
5. The investment should exhibit attractive qualitative characteristics, including, but not limited to, acceptable manager tenure;
6. The investment should be able to provide performance, holdings and other relevant information in a timely fashion with specified frequency.

Furthermore, investments will be evaluated and selected utilizing a "score card," detailed below in Part VII (Investment Monitoring and Reporting).

Part VII. INVESTMENT MONITORING AND REPORTING

The ongoing monitoring of investments is a regular and disciplined process intended to ensure that a previously selected investment option continues to satisfy the selection process and that an investment option continues to be a prudent option offered for investment in the Plan. The process of monitoring investment performance relative to specified guidelines will be consistently applied. Frequent change of investments is neither expected nor desired.

The Committee will bear in mind any and all political, social, economic or other changes that may potentially require more frequent review and consideration of investments. The following are some, but not all, general factors that may be considered in ongoing monitoring:

- Current regulatory environment,
- Current state of capital markets,
- Performance of investment alternatives,
- Utilization of accounts by Plan demographic,
- The prudent applicability of this Investment Policy Statement as written, in light of prevailing facts and circumstances.

Monitoring will generally utilize the same investment selection criteria used in the original selection analysis, or such other criteria as deemed prudent by the Committee. Unusual, notable, or extraordinary events should be communicated by the investment manager and/or provider on a timely basis to the Committee. Examples of such events include portfolio manager or team departure, violation of investment guidelines, material litigation against the investment management firm, or material changes in firm ownership structure and announcements thereof.

If overall satisfaction with the investment option is acceptable, no further action is required. If areas of dissatisfaction exist, the Committee will monitor whether the investment is taking appropriate and prudent steps to remedy the deficiency. If over a reasonable period the issue remains unresolved, removal of the investment option may result.

For supported asset classes, a "score card" will be maintained and documented to substantiate acceptable levels of performance and appropriate style characteristics. Based upon objective criteria, derived from modern portfolio theory concepts, each investment option will receive a score reflecting its overall performance.

If an investment fails to meet the criteria standards, as determined by its score, it may be placed on a "watch list". If the investment maintains a watch list score for four consecutive quarters, or five out of eight quarters, the investment may be considered for further action (see Part IX below) by the Committee. In the event an investment receives a score which is below that of "watch list" status, or experiences extraordinary circumstances which may render it imprudent to maintain, it may be considered for action (see Part IX below) by the Committee at the earliest administratively practicable date.

If the investment meets criteria standards for four consecutive quarters, it may be removed from the watch list.

Cash, or principal preservation, alternatives should be reviewed with a primary focus on the investment's ability to preserve capital and minimize risk. Criteria reviewed should include, but not be limited to, credit quality, diversification, and stability of insurance provider, if applicable.

Asset allocation investments should be scored and monitored in the same manner as all other investments, using the previously described guidelines in Part VII. Because many of these investments contain separate underlying investment funds, it may also be appropriate to score and monitor those, as available and applicable. Unlike other investments which are monitored and scored individually, target-date investments, though potentially scored individually, should be evaluated as a group. Due to the unique importance of these investment options for participants in the Plan, investments or suites of investments (as may be applicable), or managed accounts failing to achieve criteria standards should be carefully reviewed before removal from the Plan (in the absence of a reasonable alternative).

In the event asset allocation investments have too brief a time history to be scored, the investment or suite should be evaluated both qualitatively and quantitatively on the underlying investments that may have a longer time history available, using a proxy, or a qualitative framework for all other instances.

Investments where no score is applied due to specialty focus, short time history or other unique circumstances should be reviewed using a proxy, where applicable and prudent, or a qualitative framework for all other instances.

The foregoing investment monitoring criteria shall not, under any circumstances, be taken as definitive, conclusive or controlling for removal, termination or continuation of an investment option. All determinations should be made by the Committee, in its sole discretion, taking into consideration all relevant facts and circumstances.

The Committee retains full responsibility for the offering and monitoring of any self-directed brokerage account(s) offered as an investment option, which will be reviewed periodically as determined by the Committee based on criteria determined by the Committee. Special considerations should be contemplated and discussed before allowing either as an investment option.

PART VIII: ASSET ALLOCATION AND DEFAULT STRATEGY

The Committee will evaluate and choose an investment or set of investments, or multiple investments, to serve as the default investment(s) for the Plan. The default investment(s) will be the designated investment for dollars contributed to the Plan by participants and/or the employer for which the Plan has no active employee direction on file.

Asset allocation investments and/or accounts (risk-based or target date-based) should be considered as the Plan's default investment strategy due to the inherent benefits these options provide to participants including the diversification of assets across multiple asset classes. The intent on selection of an asset allocation investment(s) as the default.

In the event the Committee selects a target-date asset allocation solution, a critical component is the respective glidepath which should be reviewed to make sure it is appropriate and prudent as a default, and further that it continues to be appropriate and prudent, for the Plan and Plan's participants.

In the event the Committee selects a risk-based asset allocation solution, the investment chosen as a default should be reviewed to make sure it is appropriate and prudent as a default, and further that it continues to be

appropriate and prudent for the Plan and Plan's participants. The risk level is a critical component that should be reviewed and considered in the selection and ongoing monitoring of the investment. The chosen investment and its associated risk level should be suitable for the Plan and Plan's participants.

Part IX. COMMITTEE ACTION

An investment may be removed when the Committee has lost confidence in the investment manager's ability to:

- Achieve performance, style, allocation and/or risk objectives.
- Maintain acceptable qualitative standards (e.g., stable organization, compliance guidelines).

If the investment manager has failed to adhere to and/or remedy one or both of the above conditions, the investment may be considered for removal from the Plan. The Committee may also remove an investment option for any reason it deems necessary and prudent.

Any decision by the Committee to remove such an investment will be made on an individual basis, and will be made based on all the known facts and circumstances, including, but not limited to:

- The objective analysis (described above)
- Administrative impact on the Plan
- Timing
- Employee communication issues
- The availability of other (potential replacement) investments
- Underwriting and Plan provider limitations
- Financial considerations (hard and soft dollar fees)
- Professional or client turnover
- A material change in the investment process
- Other relevant factors

Considerable judgment should be exercised in the Committee decision-making process. The Committee may administer the following approaches with an investment that fails to consistently meet criteria of this Investment Policy Statement:

- Remove and replace (map assets) with a reasonably similar alternative investment.
- Freeze the assets in the investment and direct new assets to an alternative, reasonably similar, investment.
- Phase out the investment over a specific time period.
- Remove the investment and do not provide a replacement investment and default assets into the Plan's default investment.

Replacement of a removed investment will follow the criteria outlined in Part VI (Selection of Investment Options).

Part X. PARTICIPANT EDUCATION AND COMMUNICATION

The Plan should communicate to employees that they can direct their own investments and investment changes. Investment communications materials, educational materials and enrollment support should be available to help Plan participants make educated and informed choices, and may include:

1. Periodic enrollment and investment education, through one or more of the following: on-site meetings, phone conference, web conference, Internet, phone (voice-response and live representatives) or written materials;
2. Summary plan description (if one is required under applicable law) made available to all participants;
3. General information regarding investment risk, inflation, potential taxation impact, investment earnings and asset classes;
4. Other investment tools (e.g., investment risk profile questionnaire) to assist participants and beneficiaries in making educated and informed investment decisions; and

5. All additional information required for disclosure by the Internal Revenue Code of 1986, and all other Federal and state statutes and all regulations promulgated hereunder, and all regulatory guidance provided thereto.

Notwithstanding the foregoing, all investment education provided by the Plan and/or Committee, and all communications connected thereto, is not intended, nor shall it be construed, as investment advice to Plan participants.

Part XI. COORDINATION WITH THE PLAN DOCUMENTS AND APPLICABLE LAWS

Notwithstanding the foregoing, if any term or condition of this Investment Policy Statement conflicts with any section of applicable law or the Internal Revenue Code, or regulations promulgated hereunder, or any term or condition in the Plan document, the terms and conditions of applicable law, the Internal Revenue Code, and the Plan document shall control.

Part XII. INVESTMENT INFORMATION AND ADMINISTRATIVE SUPPORT

The Committee should require the investment manager and/or service provider (administrator, recordkeeper) to offer the following administrative information and support, competitive to that provided by other investment managers and/or service providers as it deems appropriate, which may include:

1. Daily valuation of all investments;
2. Daily access to account information via toll-free number and Internet access;
3. The ability to make investment transfers for both existing and future individual account balances on a daily basis (nonbusiness days and holidays excluded). Certain trading practices may be limited to comply with market timing, excess trading, liquidity driven and/or related policies and procedures of the service provider and/or specific investment options;
4. Participant account investment reports produced no less frequently than annually, with similar information available via the Internet at least quarterly; and
5. Quarterly investment performance updates available for participant review via the Internet.

Part XIII. REVIEW PROCEDURES

This Investment Policy Statement will be periodically reviewed and may be amended, if appropriate, at any time and without notice, by action of the Committee.

It is not expected that this Investment Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require amendments to this Investment Policy Statement.

Jay Ravins

8/25/2020

Name of Plan Representative

Signature

Date

per Investment Committee approval 8/25/2020