CITY OF MILWAUKEE 457(b) DEFERRED COMPENSATION PLAN
INVESTMENT POLICY STATEMENT

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Background and Purpose

The purpose of this Investment Policy Statement (IPS) is to assist the City of Milwaukee 457(b) Deferred Compensation Plan Board of Directors (the Board) in effectively establishing, monitoring, evaluating, and revising the investment program established for the City of Milwaukee 457(b) Deferred Compensation Plan (the Plan), a deferred compensation plan sponsored by the City of Milwaukee (the Sponsor).

This IPS may be modified from time to time by action of the Board. The policy identifies a set of investment objectives, guidelines, and performance standards for the investment of the plan assets. This IPS is intended for the purpose of facilitating decision making with respect to plan investments.

This IPS does not create or imply any contract between the Sponsor and/or the Board and any participant. In the case of any conflict between the IPS and the Plan's Master Agreement, Operating Procedures, Administrative Rules, and/or Investment Management or other Plan vendor contracts, the documents shall have the following order of precedence:

1. Master Agreement
2. Investment Policy Statement
3. Investment Manager and Plan vendor contracts
4. Operating Procedures
5. Administrative Rules

Roles and Responsibilities

Board of Directors

The responsibility for the plan rests with the Board. The Sponsor has delegated responsibility for the overall management of the investment program to the Board. The Board has delegated day-to-day supervisory and operating responsibilities to plan staff, the investment consultant, the recordkeeper, and the custodian.

The plan document more fully describes these roles and their respective responsibilities.

Board

The Board is broadly responsible to oversee the administration of the plan and the investment of plan assets. Its duties include establishing investment policy, hiring service providers, and evaluating the success of service providers in carrying out the policy.

The responsibilities of the Board, as named fiduciary for the plan, include:

- Establishing the number and types of investment options available to plan participants, including the qualified default investment alternative (QDIA) for participants who fail to make investment elections;
- Identifying investment options within each asset class that it deems appropriate and prudent to make available to plan participants;
- Monitoring investment results by means of regular reviews and analyses to determine whether the asset classes and investment options offered are meeting the guidelines and criteria identified in this IPS;
- Monitoring and evaluating plan expenses;
- Ensuring there is a comprehensive employee communication program in place for the participants of the plan. The communication program provides information to assist participants in making informed decisions regarding the investment of contributions and existing balances among the investment choices offered in the plan; and
- Retaining and monitoring service providers as necessary including, but not limited to, recordkeeper, custodian, investment consultants, and investment managers.

Staff

Staff is responsible for the day-to-day management of the plan; for bringing relevant issues to the attention of the Board; and for working with various service providers to implement the decisions made by the Board. Specifically, the Staff is responsible for the following:

- Managing and monitoring plan activity;
- Coordinating the Board meetings, investment manager presentations and discussions, and investment consultant activities, presentations and discussions with the Board;

- Identifying issues to be brought before the Board and preparing recommendations to the Board on those matters;
- Addressing other matters periodically as directed by the Board;
- Providing information to the plan's recordkeeper as appropriate;
- Facilitating the audit process by preparing plan financial statements and acting as a liaison between the auditors and various plan service providers; and
- Verifying compliance with guidelines and regulations.

Investment Consultant

The primary role of the investment consultant is to assist the Board and Staff in fulfilling their responsibilities by providing information, analysis, and recommendations that support a prudent process. The responsibilities of the investment consultants are as follows:

- Provide perspectives on capital markets;
- Periodically review investment policies and objectives;
- Research and recommend structure and investments that are appropriate in furthering the plan’s investment policies and objectives;
- Recommend appropriate performance measures and benchmarks and report on the effectiveness of those adopted;
- Maintain contact with and report on changes within the investment manager organizations (including the gain or loss of key individuals and accounts); and
- Measure, evaluate, and report investment managers' performance results.
- Monitor recordkeeper and investment option expenses in the context of services provided;
- Monitor plan custodian in the context of services provided;
- Monitor Board governance and plan structure and report to the Board and staff as needed; and
- Report quarterly to the Board.

Recordkeeper

The Recordkeeper provides, among other things:

- Suitable and accurate participant recordkeeping and administrative services;
- Accurate and timely plan data, information, and reports to the Board, including required information regarding plan fees;
- Notifications regarding concerns or issues with respect to recordkeeping or administrative services;

- Information on participant activity;
- Required participant notices, tax withholding and deposit, direct rollover, and other requirements relating to plan distributions;
- Informational items, such as prospectuses, and;
- Enrollment materials, education, and communication, as necessary.

Custodian

The Custodian will provide (among other things) the following services:

- Asset safekeeping;
- Pricing;
- Reconciliation with investment managers to ensure trades are correct and affirmed;
- Settlement of securities transactions;
- Collection of income;
- Investment accounting services;
- Determination of the NAV for each fund;
- Distribution of proxies to appropriate parties;
- Communication to the plan sponsor of any concerns or issues with respect to Custodial Trustee Services; and
- Periodic holding, transaction, valuation, and performance data at the Plan, Fund, and Investment Manager levels.

Investment Managers

The specific duties and responsibilities of each of the fund's investment managers are to manage the assets under their supervision in accordance with the guidelines and objectives outlined in their respective prospectuses, participation agreements, or other governing documents (e.g., Investment Management Agreements).

Managers should be responsive to the Board, Staff, or consultant and provide information as necessary.

Investment Structure and Philosophy

Objective

- Investment options should offer participants an array of investment options that provide them with the ability to construct a diversified portfolio appropriate to the individual’s time horizon and risk tolerance.

- Menu design facilitates diversified investment by plan participants. As such, menu design will take into account the fact that choices offered affect participants’ allocation decisions.

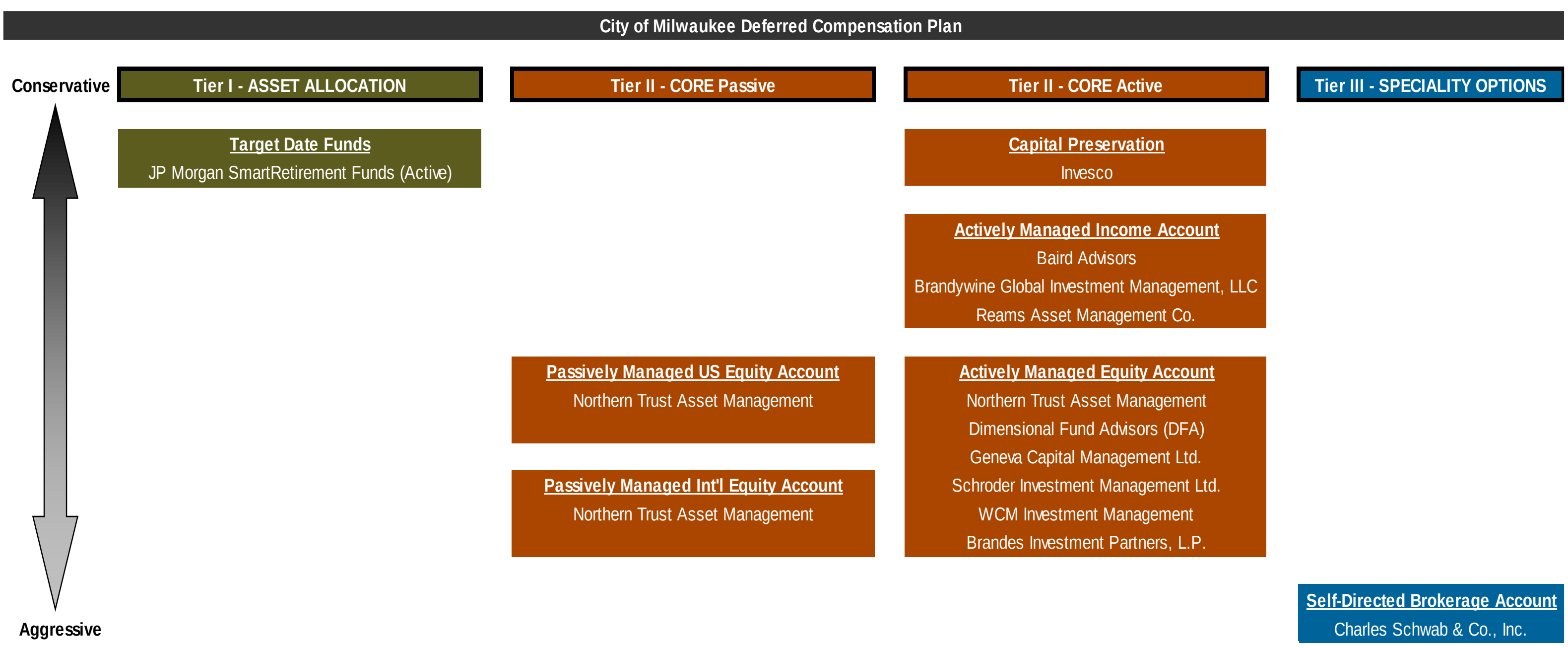
Investment Structure

Given the diversity of the participant population, the Board has chosen to adopt a three-tiered investment structure that provides (1) asset allocation options for “do-it-for-me” participants; (2) core asset class building blocks that allow “do-it-yourselfer” participants to create their own asset allocations based on their unique investment profiles; (3) specialty options for participants who want to engage in fund or asset level management.

- Asset Allocation Options offer diversification and professional management. The assets of participants who do not make an active selection among the available investment options will be placed in the asset allocation options, which are QDIAs.

- Core Investment Options include the basic building blocks participants need to create a diversified portfolio. The Board has chosen to offer both passive and active multi-manager funds.

- The Specialty Option is a self-directed brokerage account.



Manager Selection Criteria

When selecting investment managers, the Board will employ a search process. This process might include the following steps and/or others that the Board determines appropriate:

1. Formulation of specific investment manager search criteria that reflect the requirements for the mandate under consideration.
2. Identification of qualified candidates from the manager search database maintained by the Consultant and other sources.
3. Analysis of qualified candidates in terms of:
    a. Quantitative characteristics (e.g., return, risk, other relevant portfolio characteristics) and fees relative to similar funds or mandates.
    b. Qualitative characteristics such as key personnel, investment philosophy, and decision-making process.
4. Selection and hiring of finalist candidate based on due diligence reviewed and analyzed by the Board.

Performance Monitoring

On a quarterly basis, the Board will review the performance of the Plan's investment options to ensure that they are meeting expectations. In evaluating all investment managers, the Board will consider qualitative and quantitative factors likely to impact the future performance of the investment option.

If an investment manager fails to meet standards, such as the following qualitative or quantitative issues, a formal review may be warranted.

1. **Qualitative issues** for the Board to evaluate in an investment manager include:
   - Ownership changes (e.g., key people "cash out")
   - Departure of key investment professionals
   - Changes in the decision-making process
   - Changes in investment philosophy
   - Involvement in material litigation or fraud
2. **Quantitative Issues** for the Board to evaluate include underperformance over a full market cycle, changes in risk profile, portfolio characteristics that are inconsistent with expectations, and costs that are high relative to stated benchmarks and peers.

A number of factors may contribute to an investment option's or manager's over- or underperformance at any given time, including market dynamics, investment skill, and/or pure chance. Because an investment option's or manager's performance might be attributable to factors that do not reflect deficiencies in skills or strategy, it is unwise to recommend termination solely because an option or manager performs below expectations for certain periods of time.

Other Investment Provider Selection

Participant Advice Provider and Managed Account Selection

In selecting an advice or managed account provider, the Board will seek suitable services, organizational stability, a reasonable and transparent investment approach, and appropriate operational capabilities. The provider will also be required to supply necessary support of the advice provided, such as reporting and customer service. On an ongoing basis, the Board will monitor the provider's process and fees; however, it will not monitor the actual advice provided to individual participants.

Self-directed Brokerage Account Provider Selection

In selecting a self-directed brokerage account provider, the Board will evaluate and program monitor fees, including annual maintenance charges and trading costs. In addition, the self-directed brokerage provider will be required to provide appropriate services, such as trading, transactional oversight, and customer service. Because the self-directed brokerage account is not a designated investment account within the plan, the Board will not monitor the individual investments or their expenses within the self-directed brokerage account.

Fee Payment Policy

The Board will seek to provide participants with access to high-quality investment options with reasonable investment management and administrative expenses relative to the services provided.

Investment management expenses will be reviewed periodically to determine whether a lower-cost share class or investment vehicle is available and feasible.

Regarding fees for plan administration:

- Participants will pay for the administration of the plan, and for their own individual plan transactions.
- Currently, administrative fees are allocated pro rata by dollar. Annually, the Board will review fee allocation and determine whether to continue with asset-based fees, to move to per participant fees, or a combination of both.

The Board will work with the investment consultant to evaluate investment costs and administrative fees on a periodic basis. This information will be benchmarked appropriately.

Investment Policy Review Procedures

As a general rule, the Board should review this IPS annually. However, it is not expected that the investment policy will change frequently; in particular, short-term changes in the financial markets generally should not merit an adjustment in the investment policy.

The Appendix will be updated and changed as needed to reflect Board decisions.

Appendix

Plan information and list of current providers as of August 17, 2017.

Plan Information

Names of Plan(s):	City of Milwaukee 457(b) Deferred Compensation Plan
Plan Sponsor:	City of Milwaukee, WI
Plan Contact:	Beth Conradson Cleary Executive Director City of Milwaukee 457(b) Deferred Compensation Plan Direct Dial: 414-286-2635 Email: bcleary@milwaukee.gov City Hall, Room 404D 200 East Wells Street Milwaukee, WI 53202-3567
Employer ID Number:	01—2345678
Recordkeeper:	Voya Financial
Custodian:	The Northern Trust Company
Plan Investment Consultant:	Callan Associates, Inc.

I. STABLE VALUE ACCOUNT (SVA)

A. INVESTMENT OBJECTIVES. The investment management objectives of the SVA are as follows. The Manager cannot guarantee that these objectives shall be achieved.

1. Preservation of principal and interest income reasonably obtained under prevailing market conditions.
2. Liquidity at book value for plan-permitted participant-initiated inter-fund transfers and withdrawals.
3. Maximized risk-adjusted returns consistent with primary objectives noted above.

B. VALUATION, BENCHMARKING, AND REPORTING

The assets of the SVA shall be valued and reported in accordance with the provisions of and amendments to, if any, Statement of Financial Accounting Standards No. 107, American Institute of Certified Public Accountants Statement of Position 94-4, and other standards of financial accounting and reporting, if any, applicable to this Plan and the SVA's investments.

To enable performance evaluation of the SVA manager: (1) investment performance of the SVA on a book value basis shall be reported in comparison to the performance of other constant dollar indices, such as iMoneyNet MFR Money Funds Index (or similar money market index) or a custom book value index of a duration similar to the SVA; and (2) the market value of the SVA assets shall be reported to the Executive Finance Committee and to the Deferred Compensation Board on a rolling five-year basis along with the market value of a custom benchmark appropriate for the SVA with objectives similar to the SVA. This custom benchmark shall consist of the following broad market benchmarks in the weightings shown:

Index	Weight
• Bloomberg Barclay's Capital U.S. Treasury Bellwether 3-Month Index	5%
• Bloomberg Barclay's Capital Custom Short Term Index	45%
• Bloomberg Barclay's Capital Custom Intermediate Index	30%
• Bloomberg Barclay's Capital Custom Aggregate Index	20%

The component Barclays benchmarks and weightings for the custom indices may change from time to time with mutual agreement of the investment manager and the Deferred Compensation Board. A detailed breakdown of component indices and weightings is available upon request.

Changes in economic conditions, market benchmark compositions, plan investment options and the timing and magnitude of cash flows may require altering these broad market benchmarks or weightings from time to time. If these conditions are temporary, it is assumed that over time, conditions will reverse themselves and allow the benchmark to remain valid. If conditions affecting the appropriateness of the above-described benchmark become permanent, the Manager and the Board shall review the benchmark and make appropriate adjustments.

Performance reports and benchmark comparisons shall be provided upon request, but in no case less than quarterly.

C. APPROVED INVESTMENTS

In general, the assets shall be various high quality fixed income investments that, when covered by benefit responsive investment contracts as described below, are intended to provide stable account values. For the avoidance of doubt, only those instruments described in the Acceptable Assets section below may be held by the SVA outside of benefit responsive investment contracts.

1. **Investment Contracts**

The Manager shall select investment contracts for the SVA considering creditworthiness, contract features, and administrative capabilities at the time of purchase. Investment contracts may contain provisions requiring the issuing institution to provide plan-permitted liquidity from the SVA as needed to satisfy participant-initiated withdrawal requests without reflecting changes in capital value in the amounts withdrawn; provided that the withdrawals are made in accordance with the terms of the contracts.

(a) Traditional Investment Contracts (including GICs). Approved traditional investment contracts, including guaranteed investment contracts (GICs), may be purchased from insurance companies, banks or other institutions. A traditional investment contract is a direct obligation backed by the creditworthiness of the issuing entity.

(b) Separate Account Contracts. Approved separate account contracts may be purchased from insurance companies. The investment performance of these contracts is typically related to a portfolio of investments held inside the separate account. The assets are held in a separate account of the issuer and are protected from other creditors of the issuer.

(b) Security Backed Investment Contracts (Synthetic GICs). Approved security backed investment contracts (synthetic GICs, or “wrap” contracts) may be purchased from insurance companies, banks, or other financial institutions. The investment performance of one of these contracts is typically related to a portfolio of investments held in the SVA covered by the contract.

2. Acceptable Assets

Acceptable assets include U.S. dollar denominated, publicly or privately issued fixed-, floating- or variable-rate obligations of the following entities or types:

(a) U.S. Treasury, including TIPS bonds;
(b) U.S. agency or government-sponsored entity;
(c) Mortgage pass-through securities (MBS), including To-Be-Announced (TBA) mortgage rolls;
(d) Structured securities issued by various kinds of trusts, such as:
  i. commercial mortgage-backed securities (CMBS),
  ii. collateralized mortgage obligations (CMO),
  iii. asset backed securities (ABS);
(e) U.S. or non-U.S. corporations;
(f) Municipalities;
(g) Trusts, including but not limited to, trust preferred securities, asset-backed securities, REMICs and units in the Invesco Group Trust for Retirement Savings funds or in any similar pooled or collective investment fund;
(h) Units of separate accounts available through Separate SVA Contracts offered by insurance companies, as approved by the Manager;
(i) Shares of regulated investment companies;
(j) Foreign government entities;
(k) Mortgage-backed collateral;
(l) Fixed income derivatives, such as futures, forwards, options or swap agreements (including, without limitation, interest rate swaps, total return swaps and credit default swaps);
(m) Short-term investments (maturing, or invested in instruments maturing, in less than 12 months), including:
  i. U.S. Treasury and U.S. agency-issued securities,
  ii. Certificates of deposit and bankers' acceptances of U.S. banks,
  iii. Commercial paper, or
  iv. Bank or other financial institution short-term investment accounts, including such accounts maintained by the Plan's trustee bank;
(n) Repurchase agreements, provided that they are no longer than 90 days and have collateral that is marked to market daily; and
(o) Other securities not listed above that are or become represented in the indices applicable to pooled or commingled investment funds utilized in the SVA as permitted in this Section, provided that other constraints in these guidelines are not violated.

D. INVESTMENT CONTRACT PROVISIONS

1. The investment contracts shall generally provide book-value coverage for participant-initiated withdrawals made in accordance with the terms of the Plan and the investment contracts.

2. The Manager shall provide the Board or its representative with copies of all investment contracts purchased for the SVA and the Board shall be responsible for complying with the provisions thereof applicable to it.

3. The terms of the investment contracts shall generally reflect the composition of the participants and the Plan sponsor, and the provisions of the Plan, at the time they are purchased (unless subsequently modified by the parties to such contracts).

E. CREDIT AND DIVERSIFICATION

1. **Traditional Investment Contract** issuers must, at the time of purchase, be rated at least A3/A- by Moody's, S&P, or other Nationally Recognized Statistical Rating Organization (NRSRO) and approved by the Manager. The maximum percentage of the SVA invested with a Traditional Investment Contract issuer shall not exceed 5% at the time of purchase. The maximum percentage of the SVA invested in Traditional Investment Contracts shall not exceed 25% at the time of purchase.

2. **Separate Account Contract** issuers must be approved by the Manager at the time of purchase. The maximum percentage of the SVA invested with a Separate Account Contract issuer shall not exceed 65% at the time of purchase. Any exception to the maximum must be approved by the Board in writing.

3. **Security Backed Investment Contract** issuers ("wrap" issuers) must be approved by the Manager at the time of purchase. The maximum percentage of the SVA invested with a Security Backed Investment Contract issuer shall not exceed 50% at the time of purchase. Any exception to the maximum must be approved by the Board in writing.

4. **Acceptable Assets** as described above must be rated at least investment grade (Baa3/BBB- or equivalent by Moody's, S&P, or other NRSRO) at the time of purchase. In the case of units in a fund of the Invesco Group Trust for Retirement Savings or in any similar pooled or commingled fund, or units in a separate account, or shares of a regulated investment company as provided above, the dollar-weighted average credit quality of such fund's investments must be at least Aa3/AA- by Moody's, S&P or other NRSRO. Short term investments above must be rated at least A-1/P-1 at time of purchase. In the case of a split rated security, the higher rating applies.

5. **The minimum average credit quality** of the SVA's investments must be Aa3/AA- by Moody's, S&P, or other NRSRO.

6. The Manager will make all commercially reasonable efforts **to allocate the assets of the SVA** such that exposure to any single sub-adviser does not exceed 50% of the SVA's assets, and in no case may exposure to any single sub-adviser exceed 50% unless (a) the limit is exceeded for less than 30 days; (b) the Client has agreed in writing; or (c) the Manager deems the level of investment commercially necessary due to changes in the stable value wrap market.

F. DURATION

The SVA shall normally be managed with a weighted average duration of not less than two nor more than four years. Short-term investments must be included in the calculation of the SVA's duration. While a range of two to four years is indicated, the SVA shall be managed opportunistically, consistent with the investment objectives set forth above.

The Manager is permitted to manage the SVA with a duration as short as zero if it judges that such action is prudent to protect principal in the SVA.

G. OTHER CONSTRAINTS

The Manager may use derivatives to replicate cash investments, manage yield curve or other risk positions, and to pursue investment strategies generally allowed under these guidelines. In no instance can derivatives be used in a manner inconsistent with the other constraints herein. That is, the use of derivatives must abide by the duration, credit quality, and all other constraints under these guidelines.

II. INCOME AND EQUITY INVESTMENT ACCOUNTS

A. POLICY GOALS AND BENCHMARKS

1. Actively Managed Equity Account

The **Actively Managed Equity Account (AMEA)** is designed to outperform over market cycles, but with less volatility on a risk-adjusted basis (as measured by the Account's Sharpe Ratio) through active investment strategies and active management of the fund selections and allocations among the funds. The AMEA is designed to meet this policy objective cost-effectively.

The benchmark for the AMEA shall be a blend of 48%% S&P 500 Index, 12% Russell 2500 Index, 35% MSCI ACW ex-US Index, and 5% MSCI ACW Ex-USA Small Cap Index. The Actively Managed Equity Account is expected to outperform the blended benchmark on a risk-adjusted basis over a rolling 5-year period.

2. Passively Managed U.S. Equity Account

The **Passively Managed U.S. Equity Account (PMUSEA)** is designed to track investing in the broad U.S. equity market, including large, mid and small capitalization stocks and to meet this policy objective cost-effectively. The PMUSEA may have up to 100% of its total assets invested in one fund, fund family, or investment advisor because of its index-like investment structure and low-cost objective.

The benchmark for the PMUSEA shall be the Russell 3000 Index.

3. Passively Managed International Equity Account

The **Passively Managed International Equity Account (PMIEA)** is designed to track the investment performance of international markets with a non-exclusive emphasis on major foreign equity markets, as represented by MSCI-All Country World (ACW), ex-USA Index. The PMIEA is designed to meet this policy objective cost-effectively. The PMIEA may have up to 100% of its total assets invested in one fund, fund family, or investment advisor because of its index-like investment structure and low-cost objective.

The benchmark for the PMIEA shall be the MSCI All Country World ex-USA.

4. Actively Managed Income Account

The **Actively Managed Income Account (AMIA)** is designed to first, provide total return on a cost-efficient basis relative to other active and passive income investment alternatives and second, preserve capital by the pursuit of positive returns, while managing volatility in a manner appropriate to an actively managed income strategy.

The benchmark by which the advisor, subadvisor and strategy shall be regularly evaluated is 70% Barclays Capital Aggregate Bond Index, 15% Barclays Capital Global Aggregate Bond Index, 15% Bank of America Merrill Lynch 3-month LIBOR Index.

III. RESERVE ACCOUNT

A. POLICY GOAL

Should the Plan maintain any reserves, the preservation of capital shall be the primary goal of reserve account investments.

B. APPROVED INVESTMENTS

Should the Plan maintain any reserves, reserve account assets shall be invested in an institutional-quality U.S. Government Short Term Investment Fund (STIF) at a market competitive cost. STIFs invest primarily in short-term securities issued, or guaranteed as to principal and interest, by the U.S. government and/or its agencies. These types of funds have low management fees and relatively low rates of return, commensurate with their low-risk investment style.

C. BENCHMARK

Should the Plan maintain any reserves, investment of the reserves in compliance with this Section V, shall use the Treasury bill index as its benchmark.

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