

City of San José 401(a) Plan

INVESTMENT POLICY STATEMENT

March 2024

INTRODUCTION AND PURPOSE

This statement is set forth to provide a clear understanding of the investment policies, guidelines and objectives related to the administration of the City of San José, California Defined Contribution Plan for Unit 99 Employees (hereinafter “Plan”) which is a 401(a) Plan. The Plan’s primary purpose is to attract and hold personnel by providing to them a defined contribution benefit plan to which mandatory employee contributions and contributions by the City of San José will be made, which will provide for a plan benefit upon death, retirement, separation from service, or other event as provided herein, in accordance with the applicable provisions of the Internal Revenue Code and as referenced in the City of San José Municipal Code Title 3, II, Chapter 3.49.

This Investment Policy Statement is further intended to assist the fiduciaries of the Plan in making investment-related decisions in a prudent manner. It outlines the underlying philosophies and processes for the selection, monitoring, and evaluation of the investment options and investment providers utilized by the Plan. This Investment Policy Statement may generally be reviewed at least annually and it can be revised at any time to reflect changes in the capital markets, plan participant objectives, or other factors relevant to the Plan.

SUMMARY OF RESPONSIBILITIES

Plan Sponsor – The City of San José is the Plan Sponsor. The Plan Sponsor’s responsibilities include but are not limited to:

- Adopting and amending the Plan Document(s);
- Approving Plan services contracts; and
- Designating other fiduciaries of the Plan.

City Manager – The City Manager or designee (hereinafter “City Manager”) serves as Administrator and has responsibility for the operation and administration of the Plan in accordance with the terms of the Plan Document(s).

It is the intent of the City Manager to fulfill their fiduciary responsibilities with respect to the Plan solely in the interest of the Plan participants and beneficiaries. The City Manager, as a fiduciary, is to perform their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

The City Manager’s responsibilities also include but are not limited to the following:

- Selecting the investment design features of the Plan, including establishing the investment policy and objectives and the number and types of investment alternatives available to Plan participants;
- Appointing, monitoring and evaluating all investment providers and managers in accordance with guidelines and benchmarks established within this document and consistent with applicable laws;
- Selecting and monitoring other Plan Service Providers, including, but not limited to, the Plan’s record-keepers, trustees, investment consultants, accountants, and/or any other providers; and
- Monitoring Plan costs which are charged to Plan assets and/or paid by Plan participants, including but not limited to investment management fees, custodial fees and fees paid to other Service Providers from Plan and/or participant assets.

Investment Consultant - The City Manager may engage an independent investment consultant (hereinafter “Consultant”) to assist in carrying out the duties and responsibilities of this Investment Policy Statement. Such Consultant must be registered with either State or Federal securities regulators pursuant to the Investment Advisors Act of 1940. The Consultant’s role is to provide information and advice to the City Manager on various investment related issues. The Consultant has no discretionary control or authority over the Plan and its assets. In its role as an advisor to the City Manager the Consultant acknowledges a fiduciary role with respect to the investment advice provided to the City Manager. The services of the Consultant will be set forth in a separate agreement.

Investment Provider – An entity that offers investment option products and manages assets for the Plan. Examples of investment option products offered by an investment provider may include mutual funds, commingled trust funds, separate accounts and/or variable annuity contracts.

Investment Manager – The person(s) at the Investment Provider responsible for implementing an investment option’s investing strategy and managing its portfolio trading activities.

Service Providers – Entities engaged to assist the Plan Sponsor and the City Manager in regard to the administration of the Plan. This assistance includes Plan enrollment, communication, education, including providing general investment information to Plan participants regarding the procedures for making investment choices under the Plan and general investment information regarding each of the investment options offered under the Plan, distribution processing, record keeping and other administrative functions as prescribed in an agreement entered into between the Plan Sponsor and the Service Providers. The Plan may engage multiple Service Providers to complete administrative functions as necessary.

GENERAL COMPLIANCE

The Plan’s investment policies and guidelines shall be reviewed on an annual basis for modifications, as needed, but may be modified at any time as deemed necessary by the City Manager.

At minimum, it is intended that participants shall be provided with the following opportunities:

- A. Choose from a minimum of three diverse investment categories, each with materially different risk and return characteristics. At least one of the categories will provide for a high degree of safety and capital preservation.
- B. Make and/or modify investment decisions at least quarterly.
- C. Receive or have access to the following information, as updated:
 - A description of the investment alternatives available under the Plan including a general description of the investment objectives, risk and return characteristics, and type and diversification of assets comprising each alternative;
 - Identification of the designated Investment Providers, Managers and investment products;
 - A description of any transaction fees or expenses charged to the participant accounts, and information on costs and fees for an investment product that reduces the rate of return to Plan participants (expense ratios); and
 - Prospectuses, annual reports, and semi-annual reports on investment products, if available.

GENERAL INVESTMENT POLICY, OBJECTIVES AND STANDARDS

It is the policy of the Plan to foster an investment environment that encourages and facilitates participant efforts to supplement other sources of retirement income. The Plan will be structured in an attempt to provide Plan participants with an array of investment options that offer competitive rates of return and reasonable overall cost. Participants in the Plan are solely responsible for their own investment decisions and bear the risks and assume responsibility for the results of the investment options that they select. The Plan

Sponsor and City Manager make no representations, promises, or warranties regarding the suitability of Plan participation for any participant's individual investment or retirement needs. Additionally, the Plan Sponsor and City Manager make no representations, promises or warranties about the performance of the Plan or the Plan's investments.

The Plan exists in a very dynamic marketplace in which new investment alternatives may become available over time. At present, the market offers a broad array of investment products. These products may include:

- Fixed annuity options
- Variable annuity options
- Co-mingled trust funds
- Mutual funds
- Shares of any company, association or corporation

The primary investment objective of the Plan is to present participants with a range of investment options, which give Plan participants an opportunity to increase the value of their investment assets in a manner consistent with varying levels of participant risk/reward tolerances and investment decision making skills. While the Plan cannot meet all participant investment preferences and attitudes, the Plan attempts to provide investment vehicles for Plan participants at various levels of investment sophistication and with varying requirements for risk and return.

Information that may be used to select which investment products to offer includes, but is not limited to, the following:

- Age, income and other demographic data on the Plan participants
- Liquidity and administrative constraints imposed on the Plan by Service Providers
- Development of new investment products in the marketplace
- Level of participant usage of investment products

To enable Plan participants to establish different investment strategies, the Plan will offer investment categories that have varying return and volatility characteristics. It is the responsibility of each participant to evaluate the investment options and to select an appropriate mix.

A risk/reward structure is basic to investments. Generally, those vehicles offering the greatest return over time also carry the highest risk or volatility of return. The inherent conflict between volatility and long-range asset accumulation can be lessened through diversification among asset classes. To provide Plan participants the opportunity to select risk/reward strategies and to diversify the Plan's assets, the Plan will offer a number of investment alternatives.

In addition to providing a range of investment options, the Plan seeks to provide investment options that are competitive in terms of performance relative to appropriate investment performance and risk benchmarks. The performance and risk relationships of the Plan's investment options will be reviewed periodically. Investment options should generally be given a full market cycle to achieve stated objectives (market cycles normally occur over 3-5 year time periods). Investment options are expected to meet or exceed their pre-determined benchmark index(es) net of fees. Where peer groups are definable, investment options are also expected to perform within the upper half of a sample of same style peers net of fees. In addition to net investment performance, the options' risk characteristics will also be reviewed. The risk associated with an investment option generally should be similar to that of the same-style peer group.

INVESTMENT OPTIONS

Investment options offered by the Plan will be categorized or grouped by similarities in investment objectives, style and risk. The Plan's Service Providers and/or Consultant may be asked to assist in determining the categories of investment options. The Plan will be structured to assist participants in meeting their long-term investment objectives by providing investment options within the following permitted investment categories (these categories are further explained in the following pages of this document):

A. Tier 1: Target Retirement Date Pre-Mixed Portfolios

B. Tier 2: Asset Class Investment Options

- Fixed/Stable Value
- Total Return Bond
- U.S. Large-Size Company Equity
- U.S. Mid-Size Company Equity
- U.S. Small-Size Company Equity
- International Equity

C. Tier 3: Specialty Options

- Social
- Others as approved by the City Manager

Investment options and categories may be added or deleted as deemed necessary. At least one investment option shall be available within each investment category.

The following table outlines the objectives and performance benchmarks for each of the Plan's investment options. The risk associated with an investment option will be compared to appropriate risk benchmarks or measures for a same-style group of peer investment options, where definable.

TIER 1: TARGET RETIREMENT DATE PRE-MIXED PORTFOLIOS

Lifecycle Premixed Portfolio – Retirement Income	
Provide different levels of income and capital growth dependent upon an individual participant’s specific target retirement or withdrawal date. Portfolios provide different allocations to stocks and bonds dependent upon the target retirement or withdrawal date that is selected. The portfolio will be well diversified including U.S. and international fixed income securities and U.S. and international equities. Stocks generally will comprise less than 30% of the total portfolio. The percentage of international equities generally will not exceed 50% of the equity portion of the portfolio.	
Benchmark Index:	Custom Blended Index
Peer Groups:	US Target Date Retirement Income
Lifecycle Premixed Portfolio –2020, 2025	
Provide different levels of income and capital growth dependent upon an individual participant’s specific target retirement or withdrawal date. Portfolios provide different allocations to stocks and bonds dependent upon the target retirement or withdrawal date that is selected. The portfolio will be well diversified including U.S. and international fixed income securities and U.S. and international equities. Stocks generally will comprise up to 55% of the total portfolio. The percentage of international equities generally will not exceed 50% of the equity portion of the portfolio.	
Benchmark Index:	Custom Blended Index
Peer Groups:	US Target Date 2020, US Target Date 2025
Lifecycle Premixed Portfolio – 2030, 2035, 2040, 2045	
Provide different levels of income and capital growth dependent upon an individual participant’s specific target retirement or withdrawal date. Portfolios provide different allocations to stocks and bonds dependent upon the target retirement or withdrawal date that is selected. The portfolio will be well diversified including U.S. and international fixed income securities, and U.S. and international equities. Stocks generally will comprise 55%-85% of the total portfolio. The percentage of international equities generally will not exceed 50% of the equity portion of the portfolio.	
Benchmark Index:	Custom Blended Index
Peer Groups:	US Target Date 2030, US Target Date 2035, US Target Date 2040, US Target Date 2045
Lifecycle Premixed Portfolio – 2050, 2055, 2060, 2065, 2070	
Provide different levels of income and capital growth dependent upon an individual participant’s specific target retirement or withdrawal date. Portfolios provide different allocations to stocks and bonds dependent upon the target retirement or withdrawal date that is selected. The portfolio will be well diversified including U.S. and international fixed income securities, and U.S. and international equities. Stocks generally will comprise 85%-90% of the total portfolio. The percentage of international equities generally will not exceed 50% of the equity portion of the portfolio.	
Benchmark Index:	Custom Blended Index
Peer Groups:	US Target Date 2050, US Target Date 2055, US Target Date 2060, US Target Date 2065+

TIER 2: ASSET CLASS INVESTMENT OPTIONS

Fixed / Stable Value	
<p>Provide high current income relative to cash investments and a high degree of investment safety without fluctuation of principal. Investment returns are derived primarily from interest income. A Fixed or General Account option, which is a fixed rate contract that is backed by an insurance company's balance sheet, is to be of mid-investment-grade rating or higher, and backed by a diversified pool of underlying investments. A stable value option will be invested in guaranteed investment contracts (GICs), "synthetic" portfolios, money market instruments, and others, each mainly comprised of investments of short- to intermediate maturity, and which provide for an adequate degree of liquidity. The weighted-average maturity is expected to remain between two and five years at most times. The overall weighted credit-quality rating of the option shall be the equivalent of mid-investment-grade rating or higher. The rating must be obtained from at least one credit rating agency such as Moody, S&P or Duff & Phelps. If the option's weighted rating declines below this level, the option will be evaluated for corrective action.</p>	
Benchmark Index:	1. 5 Year CMT Index 2. 90-Day Treasury Bills Index
Peer Group:	Stable Value

Total Return Bond	
<p>Provide capital appreciation and income through a diversified fixed income portfolio. The portfolio's duration is expected to be comparable to that of its Benchmark Index, with some bandwidth allowed for the manager to exercise strategic deviation from the Benchmark. Average credit quality is expected to be investment grade. The fixed income portfolio will normally be primarily comprised of investments including money market instruments, U.S. Government and Agency bonds, mortgage-backed securities, corporate bonds, and others. The manager will be given discretion to hold securities that are not contained within the Benchmark Index, which may include Foreign Bonds, High Yield Bonds, Convertibles, Treasury Inflation Protected Securities, derivatives, and others. The portfolio's aggregated composition and risk and return characteristics however are expected to be reflective of its asset class.</p>	
Benchmark Index:	Bloomberg US Aggregate Bond Index
Peer Group:	US Intermediate-Term Core Bond, US Intermediate-Term Core-Plus Bond

TIER 2: ASSET CLASS INVESTMENT OPTIONS

U.S. Large Company Equity	
Provide long-term capital appreciation through a diversified common stock portfolio whose average market capitalization may be categorized as Large Cap by an industry standard data provider. Stocks of foreign companies that are traded in the U.S. may also be included in the portfolio, but generally should not exceed more than 20% of the total portfolio.	
Benchmark Indexes:	Blend: S&P 500 Index Growth: Russell 1000 Growth Index Value: Russell 1000 Value Index
Peer Groups:	Blend: US Large Cap Blend Growth: US Large Cap Growth Value: US Large Cap Value
U.S. Mid-Size Company Equity	
Provide long-term capital appreciation through a diversified common stock portfolio whose average market capitalization may be categorized as Mid Cap by an industry standard data provider. Stocks of foreign companies that are traded in the U.S. may also be included in the portfolio, but generally should not exceed more than 20% of the total portfolio.	
Benchmark Indexes:	Blend: Blended US Mid-Cap Index Growth: Russell Mid-Cap Growth Index Value: Russell Mid-Cap Value Index
Peer Groups:	Blend: US Mid-Cap Blend Growth: US Mid-Cap Growth Value: US Mid-Cap Value
U.S. Small Company Equity	
Provide long-term capital appreciation through a diversified common stock portfolio whose average market capitalization may be categorized as Small Cap by an industry standard data provider. Stocks of foreign companies that are traded in the U.S. may also be included, but generally should not exceed more than 20% of the total portfolio.	
Benchmark Indexes:	Blend: Blended US Small-Cap Index Growth: Russell 2000 Growth Index Value: Russell 2000 Value Index
Peer Groups:	Blend: US Small Cap Blend Growth: US Small Cap Growth Value: US Small Cap Value

TIER 2: ASSET CLASS INVESTMENT OPTIONS

International Equity	
Provide long-term capital appreciation through a diversified portfolio of international equities. Unless the strategy is dedicated to emerging markets, stocks of emerging countries may be used at the discretion of the manager, but generally should not exceed more than 30% of the total portfolio.	
Benchmark Indexes:	Blend: Custom International Index (net) Growth: MSCI All Country World Index ex-U.S. Growth (net) Value: MSCI All Country World Index ex-U.S. Value (net)
Peer Groups:	Blend: US Foreign Blend Growth: US Foreign Growth Value: US Foreign Value

TIER 3: SPECIALTY OPTIONS

Social	
Provide long-term capital appreciation through a diversified, common stock portfolio of companies and issues screened to meet selected “socially responsible” criteria. Stocks of foreign companies may be included, but generally should not exceed 20% of the total portfolio.	
Benchmark Index:	S&P 500 (primary); FTSE4Good US Select Index (secondary)*
Peer Group:	US Large Blend

*Social investments are to be compared to a primary benchmark that represents the fund’s broader peer group and investment style, and, if different, a secondary benchmark reflective of its ESG category.

INVESTMENT OPTION SELECTION GUIDELINES

Investment options offered to Plan participants will be provided through investment provider(s) accessible on the Service Providers’ platform. Before introducing a new investment option, the City Manager, in consultation with the Consultant and Service Providers will define the niche to be filled and assess any prospective investment option’s performance, quality, and risk characteristics. At a minimum, investment options under consideration should satisfy performance and risk considerations under actual, not modeled, conditions and over an appropriate time period. Investment option selection considerations may include, but are not limited to the following:

- The investment option should generally, but not necessarily, have a history that spans a full market cycle, normally three to five (3-5) years.
- The investment option should generally meet or exceed its predetermined benchmark index, net of fees.
- The investment option should generally perform at median or within the upper half of a recognized and defined sample of same-style peer options.
- The investment option should be able to demonstrate a consistent performance track record attributable to a specific investment manager or team of managers.
- In selecting Target Retirement Date funds, the City Manager shall consider the current and prospective composition of the Target Date funds (based on their glide path), and the corresponding risk and return implications relative to the benchmark and peer group constituents.

INVESTMENT OPTION REVIEW GUIDELINES AND MONITORING

Investment providers and investment managers are required to comply with all applicable laws, rules, and regulations. However, the City Manager takes no responsibility for the failure of such option and/or investment manager to comply with any and all applicable laws, rules or regulations.

It is recognized that certain stable value and Fixed options often have liquidity restrictions. Investment options with sales loads, redemption fees, or other non-investment management related expenses will be avoided to the extent possible.

Investment option performance, risk and style consistency is intended to be evaluated on a quarterly basis. Performance and risk results will be evaluated using comparisons with this policy, pertinent market indices and against other same-style peers, where definable. When necessary, investment option performance and risk may be reviewed more frequently.

The City Manager will periodically review the investment options' progress in meeting the Plan's investment objectives. Investment options will be expected to comply with all stated investment objectives, guidelines and applicable rules contained in the prospectus or fund fact sheet. The City Manager will review the performance of investment options quarterly to determine if they are achieving the established objectives. Investment performance reviews may include, but are not limited to, a review of:

- Investment portfolios;
- Fees and expenses;
- Investment style, process and philosophy;
- Investment management personnel; and
- Index tracking error.

The performance review will also include measuring the options' investment performance relative to stated benchmarks or respective indexes and peer groups; as well as the monitoring risk measures. The following will be evaluated:

Quantitative Measures

Active Investment Strategies. Options employing active management are expected to outperform their stated asset class or style benchmark net of all management fees over a trailing five year time period; and to rank above the 50th percentile of the appropriate peer group for the same trailing five year time period. It is also expected that the risk of each option, as defined by standard deviation of returns, be commensurate with the prescribed strategy relative to the appropriate market index and/or peer group.

Passive Investment Strategies. Passive Options are expected to track the performance of the index strategy that the option is designed to replicate, less management fees, with marginal tracking error. It is also expected that the risk of each passive option, as defined by standard deviation of returns, be commensurate with the appropriate market index.

Qualitative Measures

The options will also be monitored on an ongoing basis for other material changes which the City Manager may determine are of importance to the decision of whether or not to retain an investment option, such as personnel departures; organizational changes; or alterations in investment style, philosophy, or strategy; and adherence to stated guidelines.

Time Periods. The City Manager acknowledges that fluctuating rates of return characterize the securities markets, particularly during short-term time-periods. Recognizing that short-term fluctuations may cause variations in an option's performance, the City Manager intends to employ investment options with long-term investment strategies and will evaluate option performance from a long-term perspective. Performance

over market cycles of three to five years will be weighted more heavily than performance over shorter time periods, such as one year or less.

In addition to the qualitative and quantitative measures referenced above, the City Manager will also review the investment options' risk characteristics in relation to that performance. Risk will be measured in various ways including, but not limited to:

- Standard deviation
- Downside risk or semi-variance
- Risk/return ratios such as Sharp or Treynor Ratios
- Other statistical measures such as Beta, Alpha and Variance

INVESTMENT OPTION TERMINATION AND WATCH GUIDELINES

Generally, all investment options are expected to remain true to their stated investment objectives and to perform as well as or better than their prescribed performance benchmarks, net of fees. The City Manager recognizes the long-term nature of retirement plan investing and the variability of market returns. Periodic underperformance in any of the criteria outlined in this Investment Policy will not necessitate the termination of an option; however, any underperformance will result in consideration by the City Manager of the factors causing underperformance and possible courses of action that the City Manager may take.

The City Manager may, at any time, place any investment option that it views as having a pattern of underperformance on a watch-status. Reasons the City Manager might place an option on a watch status, include but are not limited to, the following:

Quantitative Measures

Actively Managed Options

- Performance below the prescribed benchmark index over a trailing five year period, combined with
- Performance below the median of its peer group over a trailing five year period

Passively Managed Options

- Net of fee performance tracking error relative to the respective index that is greater than 15 basis points over a trailing five-year period

Target Date funds will be evaluated based on the performance of the entire suite as held within the Plan. A Target Date suite will normally be viewed as being in violation of investment policy performance criteria if over one-half of the funds in a Target Date suite held within the Plan lag this Investment Policy Statement's prescribed performance measures. The City Manager may elect to deviate from this approach if it appears reasonable to do so.

Certain passive investment options operate in a marketplace that includes foreign markets whose exchanges close prior to that of the United States. In these instances, some fund managers may engage in a method of "Fair Value Pricing," whereby the managers adjust the pricing of securities in the Fund to reflect any information that has become available after the close of the applicable foreign market. Discrepancies in performance between the applicable investment option and its performance benchmark that are due to "Fair Value Pricing" and other common index fund tracking factors (such as the timing of market closures, management fees, benchmark nuances, and others) will be taken into consideration in evaluating performance of the affected investment options.

Qualitative Measures

- Management team or other significant personnel turnover;

- Changes in the product’s investment philosophy, process, style or risk profile;
- Excessive or rapid asset growth or decline;
- Pending regulatory investigations or material legal proceedings;
- Changes to firm ownership;
- Significant increase in management fees or expense ratio.
- In the case of monitoring Target Retirement Date funds, the City Manager shall consider the current and prospective composition of the Target Date funds (based on their glide path) and the corresponding risk and return implications relative to the benchmark and peer group constituents.

An investment option may remain on watch status until the City Manager decides to take further action. City Manager actions include, but are not limited to, the following:

- Removing the investment option from watch status; and
- Terminating the investment option and reallocating the assets to an alternate or replacement investment option by City Manager direction.

To be removed from quantitative, performance related watch status, generally, performance for the preceding five year trailing periods should be above the benchmark index or median for at least two consecutive quarters. However, barring any breakdown in process, the City Manager may decide to leave an option on watch for as long as they believe it is prudent to do so.

The City Manager reserves the right to terminate investment option relationships at any time, for any reason when it determines such termination is in the best interests of the Plan and its participants and beneficiaries. Upon termination, further contributions or transfers to an investment option may be frozen, or the option may be replaced with or without transferring existing assets from the replaced option. Once the decision to terminate an option and remove it from the Plan is made, asset transfer and liquidation should be handled to the best advantage of the Plan, with due consideration given to the anticipated effect on affected participants and beneficiaries.

INVESTMENT OVERSIGHT RESPONSIBILITY AND PROXY VOTING

The City Manager shall have overall responsibility for the selection, monitoring and termination of all investment managers. Additionally, the City Manager shall be responsible for reviewing and maintaining these investment policies and guidelines.

Proxy votes required by investment managers shall be cast by those parties designated by the City Manager. Voting rights shall be exercised in the best interest of the Plan participants and beneficiaries of the Plan. The City Manager may insist that they exercise their voting rights themselves by communicating their intention to do so in a timely manner.

GLOSSARY

Annualized Return

Rate of return of the account smoothed as though the return occurred equally over twelve-month periods. When the specified time frame is for less than a year, the rate of return is projected as though the same performance continues to occur for a twelve-month period.

Benchmarks

A standard against which the performance of the portfolio can be measured, typically against a standard index.

Duration

The weighted maturity of a fixed-income investment's cash flows, used in the estimation of the price sensitivity of fixed-income securities for a given change in interest rates. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price (a bond's cash flows consist of coupon payments and repayment of capital). A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, where maturity and duration are equal.

Growth Style Investing

Growth investors purchase companies that have above-average earnings growth and/or above-average sales growth rates.

Investment Objectives

The overall financial objectives of an investor. For example, whether the investor requires income or capital appreciation. The investor's objectives govern the investment strategy.

Large Cap

Large Capitalization – refers to those companies with a market capitalization categorized as Large Cap by an industry standard data provider.

Liquidity

The ability to buy or sell an asset quickly and in large volume without substantially affecting the asset's price.

Market Capitalization

The dollar value of a public company based on the total number of shares of stock available multiplied by the price per share.

Mid Cap

Mid Capitalization – refers to those companies with a market capitalization categorized as Mid Cap by an industry standard data provider.

Net of Fees

After subtraction of management fees.

GLOSSARY - CONTINUED

Peer Group

Contemporaries of the same asset class that can be compared against one another to achieve a larger sense of how the particular portfolio is performing.

Portfolio

Refers to the complete list of securities held in an investment vehicle.

Small Cap

Small Capitalization – refers to those companies with a market capitalization categorized as Small Cap by an industry standard data provider.

Standard Deviation

Measures the range of returns and is based on a Normal Curve. Managers with lower standard deviations than the index have historically had returns that tended to fall closer to their mean return compared to the index. Managers with higher standard deviations than the index have historically had returns that tended to be further dispersed around the mean than the index. This is another measure of volatility, but it doesn't distinguish downside performance from upside performance.

Value Style Investing

Value investors rely on an examination of the underlying or unrealized value of a company as the primary criterion for deciding whether or not to buy a company's stock. Value stocks are often priced lower than growth stocks due to slower growth expectations, recent financial difficulty, or a host of other reasons.

On behalf of the City of San José 401(a) Plan, this Investment Policy Statement is adopted by the City Manager and effective on this date:

Signature: JSchembri

Name: Jennifer Schembri

Date: 3/20/2024