



Good Neighbors

San Diego
Housing Commission

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REPORT

DATE: For the Agenda of March 23, 2001 **Item 106**

REPORT NO.: HCR01- 044

SUBJECT: Proposed Policy Revision Regarding the Investment of Pension Plan Assets

SUMMARY

Issue: Should the Housing Commission recommend Housing Authority approval of revisions, as described in this report, to update Policy PO000.401 and to clarify the membership, responsibilities and procedures of the Pension Investment Committee and delegated contract authority of the Chief Executive Officer?

Recommendation: That the Housing Commission recommend Housing Authority approval of revisions, as described in this report, to Policy PO000.401.

Fiscal Impact: None.

Previous Related Action(s): Included as Attachment A.

Future Related Action(s): If the staff recommendation is approved, this policy revision will be submitted to the Housing Authority for consideration at its next available meeting.

BACKGROUND

In 1979, the Housing Commission established an Internal Revenue Service approved defined contribution Pension Plan to provide tax qualified retirement benefits to covered employees. In lieu of Social Security contributions, the Plan includes an employer contribution to the employee's individual retirement account of 14% of earnings and a separate participant voluntary contribution capability which allows employees to contribute up to 10% of wages through after-tax payroll deductions. The Pension Plan has a broad variety of investment alternatives and provides for employee directed investment options. The Plan is administered by the Chief Executive Officer (CEO) and includes an advisory Investment Committee to make recommendations to the CEO.



In March 1996, the Housing Commission approved various revisions to the Commission's Policy for Investment of Pension Plan Assets PO000.401. Those revisions were intended to provide the opportunity for each employee to invest in a wide spectrum of options based on individual needs and preferences. Over the past five years, there has been a high degree of employee satisfaction with the Commission's 1996 change in Pension Plan Investment Policy that allows for employee directed investment options.

Recently the Investment Committee, with input from Consultant Watson Wyatt and from the Commission's General Counsel, reviewed and recommended certain changes in order to update and clarify the Policy.

DISCUSSION

The Investment Committee is recommending revisions to the existing Policy for five major reasons:

1. Since the previous 1996 revision to the Policy, the Housing Commission's Pension Plan investments in insurance company guaranteed investment contracts (GICs) have all matured. Certain Policy language related to the GICs is now obsolete and needs revision.
2. Recently, the Investment Committee meetings have been determined to be subject to the Brown Act and an expansion of Investment Committee membership from nine to eleven, is desirable in order to facilitate quorums and subcommittees.
3. The Housing Commission has an existing contract with Diversified Investment Advisors (DIA) to provide individual account record keeping, investment and benefit payment services. Due to the complex nature of retirement plan investment and administrative services and the disruption to employees that a change in service provides when pension and retirement issues are involved, it is beneficial to the Housing Commission and its employees to enter into longer-term contracts for plan related investment and administrative services than is allowed under current policy language. To address these issues and in accordance with current HUD regulation, the new Investment Policy provides greater flexibility in the selection and contracting with vendors than allowed under the Commission's procurement policy.
4. Plan Consultant Watson Wyatt and the Commission's General Counsel have recommended various revisions to Policy procedural language made obsolete

by the Housing Commission-approved Policy changes to an employee self-directed investment plan on March 11, 1996.

5. Lastly, clarity regarding fiduciary liability insurance coverage of the Investment Committee, is added.

The major proposed changes to the policy are summarized in Attachment B. The proposed policy Attachment C shows strikeouts as deletions and bold as new language. Employees have been notified of the proposed changes with an opportunity for comment.

ALTERNATIVES

Revise the current Policy to delete obsolete provisions only, and do not adopt proposed changes which clarify roles and responsibilities of committee, CEO and fiduciary liability insurance coverage for Committee members. This option would not be in the best interest of the Housing Commission or employees, however, due to the complex nature of services related to pension administration, individual account record keeping, investment and benefit payment involved in the administration of a self-directed Pension Plan.

Respectfully submitted,

Steven L. Mikelman
Director of Operations

**Document on File
With Original Document**

Approved by,

Elizabeth C. Morris
Chief Executive Officer

Attachment(s): A) Previous Related Actions
B) Summary of Major Proposed Changes to Policy PO000.401
C) Proposed Revised Policy (with changes noted)

Attachment A

Previous Related Actions

- April 23, 1996 – The Housing Authority approved a Housing Commission recommendation to revise Policy PO000.401 to allow greater diversification of selected investment funds for Pension Plan assets, and to provide employee-directed investment options.
- March 11, 1996 - (HCR 96-050) The Housing Commission approved revision to Policy PO000.401 to incorporate changes to allow greater diversification of selected investment funds for Pension Plan assets, and to provide employee-directed investment options.
- September 12, 1994 - (HCR 94-102) The Housing Commission approved an Investment Policy for employee Pension Plan assets (Policy PO000.401) which established the objectives of investments, types of investments permissible, and authority for placing investments, and authorized a formal Investment Committee, including the Chief Executive Officer, to make investment decisions for the Pension Plan assets.
- June 7, 1993 - The Commission authorized a contract with The Wyatt Company for consulting services related to employee benefit programs; a Section 457 deferred compensation plan; and the Pension Plan.
- September 18, 1989 - The Housing Commission authorized the Chief Executive Officer to make investment decisions for assets of the Pension Plan.
- 1979 - The Housing Commission established an Internal Revenue Service-approved defined contribution Pension Plan to provide tax qualified retirement benefits to covered employees.

Attachment B

Summary of Major Proposed Changes to Policy PO000.401

The major proposed changes to Policy PO000.401 are summarized as follows:

1. Sections 1 and 2 – **Combines and clarifies introductory and investment goals and objectives language from existing Sections 1, 2, and 3** to reflect the Commission approved Policy changes in 1996 regarding the objectives of an employee self directed investment Pension Plan.
2. Section 2.1 – To meet the fiduciary standards of ERISA, **additional language on investment objectives** is included.
3. Section 2.2 and 2.3 – As recommended by the Plan Consultant and General Counsel, the **trustee's standard of care is referenced to the Employee Retirement Income Security Act of 1974 (ERISA)**.
4. Section 3.1 and 3.2 – The Investment Committee meetings are subject to the provisions of the Brown Act. Investment **Committee membership increased from nine to eleven**, in order to facilitate quorums and subcommittees. Distinguishes between Investment Committee and administrative committee and clarifies Investment Committee shall not influence participant individual investment.
5. Section 3.4 – **Authorizes the CEO or designee to enter into pension related contracts up to the amount permitted by the Housing Commission's Procurement Policy including in the appropriate instances, sole source procurement methods, competitive proposal methods (formal and informal) provided adequate steps are taken to ensure that contracting is accomplished in a cost effective and productive method for the benefit of participants and the cost being paid for services rendered is reasonable and in line with industry standards per year, per service provider.** States that **contracts involving remuneration in excess of the CEO's authority require Housing Commission and Housing Authority approval.**
6. Exiting Sections 5 and 6 - **Deletes language made obsolete** by the Housing Commission-approved Policy changes on March 11, 1996 and **obsolete references** to the Commission's previous investments in insurance company guaranteed investment contracts. Inserts a **summary of the risk category objectives spectrum**, including a fixed return, default investment alternative to cover employees who do not elect investment control over their account and renumbers as Section 4.

7. New Section 5 – Specifies **various monitoring and reporting actions**, including an annual report to the Commission as part of the Annual Agency Financial Audit Report.
8. New Section 6 –The existing Section 8 (Custodianship of Investments) is renumbered as Section 6 and clarifies role of **third party administrator**.
9. Existing Section 7 – **Deletes language made obsolete** by the Housing Commission-approved Policy changes on March 11, 1996.
10. New Section 7 – Proposes the Housing Commission obtain and maintain **fiduciary liability insurance covering the Investment Committee**.
11. Existing Section 9, 10 and 11 – Deletes of language clarified elsewhere in the Policy.

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1. INTRODUCTION

1.1 The San Diego Housing Commission is an organization created in 1979 by the City Council, ~~acting as the Housing Authority of the City of San Diego in 1979.~~ The San Diego Housing Commission's vision is to provide "An Affordable Home for Every San Diegan" and its mission is to "Provide Quality Housing Opportunities which Improve the Lives of Those in Need." Funds to support the Housing Commission programs are provided by a variety of Federal, State and Local sources.

1.2 The employees of the San Diego Housing Commission participate in a pension plan ~~which that~~ was established in 1979. ~~This plan~~ The San Diego Housing Commission Pension Plan, hereafter called the Plan, in summary, is a "defined contribution plan" ~~which that~~ provides an employee with the accumulated value of all agency pension contributions and interest earnings after meeting specific vesting requirements.

1.3 ~~The funds provided to the pension plan constitute a public trust and the San Diego Housing Commission recognizes and accepts a high degree of responsibility and accountability for them. It recognizes that these funds are not permanent in nature, that the funds will ultimately be withdrawn for retirement purposes by employees and/or their beneficiaries, and that preservation of the pension fund assets is of the highest priority. The San Diego Housing Commission expects that these funds will be invested to earn a reasonable return and establishes this investment policy to ensure that all investments are suitable and appropriate.~~

All contributions are held in trust for the exclusive benefit of each participant. The Housing Commission recognizes the importance of these funds in providing primary retirement benefits to each employee. It also recognizes the differing investment needs of the Plan participants and that each participant has different risk tolerances and investment horizons.

2. INVESTMENT GOALS AND OBJECTIVES

~~2.1 It is the goal of the San Diego Housing Commission's pension investment program to assure that sufficient financial assets are available to provide participants and their beneficiaries with all benefits due as specified in the pension plan.~~

[Issued 9/26/94, Effective 4/23/96, Supercedes ~~10/3/95~~ 4/23/96]

Authorized:

Elizabeth C. Morris, Chief Executive Director Officer

Date

Carrol M. Vaughan, Deputy Executive Director — Operations

Date

Steve L. Mikelman, Director of Operations

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~~Therefore, the participants' and beneficiaries' financial interest shall take precedence over all other financial interests and provide each participant with the opportunity to direct the investment of his or her individual Plan account balance among four or more pooled investment fund options. These investment fund options will cover low risk through high risk categories. There is no requirement to invest in any risk category.~~

- 2.1 ~~It is the purpose of the Housing Commission's Pension Investment Policy to maximize individual participant investment flexibility and control over the assets in his or her account under this Plan. This Investment Policy is intended to allow each participant to achieve maximum investment potential consistent with his or her basic objectives and risk tolerance and any transfer limitations established by the Plan's service providers. Therefore, the participants' and beneficiaries' individual investment direction shall take precedence over all other financial interests.~~
- 2.2 ~~In order to provide the greatest individual investment flexibility under the Pension Plan, the investment objectives will include the following:~~
- A. Assure a broad spectrum of investment alternatives are available to all plan participants.
 - B. Allow each participant to invest in any combination of at least four or more professionally managed pooled funds in one-percent increments and to allow participants to further select individual securities and registered investment funds under a fully directed brokerage account option.
 - C. Allow each participant to change the investment allocation of his or her account among the permitted investment alternatives at any time, or as limited by the provider.
 - D. Allow each participant to change the allocation of future contributions made in his or her behalf among the permitted investment alternatives at any time, or as limited by the provider.
 - E. Provide information on the objectives, risk and return characteristics and diversification for each managed pooled fund investment option.
 - F. Provide information on the fund manager, a description of each fund's fees and expense charges and make prospectuses available for participant review.
 - G. Provide information on each pooled fund's investment performance at least quarterly.
 - H. Provide a default investment alternative that will minimize the risk of investment losses for those participants who do not elect to exercise independent investment control over their account, or fail to do so on a timely basis.

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2.3 The Plan offers a broad spectrum of investment options and participant directed investments to allow employees greater investment flexibility and control. Although the Plan is not subject to the Employee Retirement Income Security Act of 1974 (ERISA), the Housing Commission intends to follow the guidelines under ERISA Section 404(c) for participant directed investments for purposes of establishing fiduciary relief for the Housing Commission from the investment results of each participant exercising control over the investment of his or her account.

~~3.~~ INVESTMENT OBJECTIVES

~~3.1~~ In order to provide sufficient financial assets to pay obligations of the pension plan, the objectives will include the following:

~~A.~~ To offer four or more investment options covering a broad spectrum of risk categories.

~~B.~~ To retain liquidity to meet current, projected and unexpected benefit payment and investment transfer cash needs of the pension plan.

~~C.~~ To attain the best available yields, considering current rates of return and reasonable associated expenses, while retaining liquidity and minimizing risk.

~~3.2~~ These objectives are ranked in order of importance. However, within the constraints imposed by the objectives of safety of principal and liquidity, the investment goal is to obtain the highest possible yield after reviewing appropriate investment options and their associated expenses. Therefore, any investment opportunity considered may be entered into only after the associated risk and expense is clearly understood.

~~3.3~~ The assets of the fund are to be managed and invested according to the provisions of California Probate Code, Section 16040(b). This states:

~~Sec. 16040. Trustee's Standard of Care in Administering Trust~~

~~When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing trust property, the trustee shall act with the care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to the general economic conditions and the anticipated needs of the trust and its beneficiaries, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims to accomplish the purposes of the trust as determined from the trust instrument. In the course of administering the trust pursuant to this standard, individual investments shall be considered as part of an overall investment strategy.~~

~~4.~~ AUTHORITY TO INVEST

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~~4.1 The San Diego Housing Commission has authorized an Investment Committee to be chaired by the Executive Director, with authority to direct the selection and monitoring of pension investments. The Investment Committee will include the following:~~

- ~~A. Executive Director, Chair~~
- ~~B. Deputy Executive Director, Operations~~
- ~~C. Controller~~
- ~~D. Human Resources Manager~~
- ~~E. Two employees (Fully Vested) Designated by the Union~~
- ~~F. Two employees (Fully Vested) Appointed by Deputy Executive Director of Operations.~~
- ~~G. The City Treasurer or Designee or a representative of the Commission's depository bank.~~

~~4.2 The Investment Committee shall administer the pension investment program and oversee investment management and custodial fees, consulting fees, transaction costs and other administrative investment costs. No more than reasonable fees consistent with market rates for similar services shall be paid.~~

3. **AUTHORITY FOR INVESTMENT REVIEW**

3.1 A. The Housing Commission has authorized an Investment Committee that is advisory to the **Chief Executive Officer** of the Housing Commission and the Housing Commission, with authority to make recommendations concerning the oversight, selection and monitoring of the Plan's investment alternatives. The Investment Committee will be comprised of the following positions and/or offices:

1. Chief Executive Officer (CEO) or Chief of Staff;
2. Director of Operations;
3. Controller;
4. Human Resources Manager;
5. A Manager appointed to a four year term;
6. Three fully vested employees appointed by the Union to a four-year term; and
7. Three fully vested employees appointed by the Chief Executive Officer or Chief of Staff to a four-year term.

B. In no event will the Investment Committee attempt to influence any participant regarding the selection of funds for that participant's specific situation.

C. Each member of the Investment Committee shall have one equal vote. Appointment of Committee members should be staggered to ensure continuity and limit the number of new members at any one time. Bi-annually, the Committee shall elect a member to serve as Chairperson and a member to serve as Secretary.

D. The CEO or Chief of Staff will assign clerical support for recording minutes, posting of meetings, and other related tasks.

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- 3.2 The Investment Committee is separate and distinct from the committee appointed to administer the Plan in accordance with Article X of the Plan Document.
- 3.3 The Investment Committee shall oversee the expenditure of investment management fees, custodial fees, consulting fees, transaction costs and other administrative investment costs. These fees and costs shall be reasonable and consistent with market rate fees for similar services.
- 3.4 The CEO, or designee, shall have the authority to enter into contracts in the name of the San Diego Housing Commission on advice of the Investment Committee for the benefit of the participants. The procedure for such contracting shall be as may be delegated, from time to time, from the Housing Authority and/or the Commission.
- A. Term of Contract and Annual Contract Limits. The CEO (or designee) may contract for a period of years as the CEO, in his or her discretion, as may determine is in the best interests of the Plan participants. The CEO may contract for a limited number of years (i.e. one, two or three), with multiple options to extend the contract for services, at the option of the Housing Commission, as he or she, in his or her reasonable discretion, determines is in the best interest of the participants. The CEO, upon the advice and recommendation of the Investment Committee, may contract for services up to annual contract amount(s), as may be authorized, from time to time, by the Housing Authority and/or Board of Commissioners of the San Diego Housing Commission. Provided, however, any portion of each contract funded and paid for by the plan participants, individually or jointly, shall not be included for the purposes of the CEO's annual contract limit.
1. Contract Provisions. Each contract shall provide for cancellation of said contract upon the failure of the Commission and/or Authority to provide funding for such contracts and upon reasonable notice to the contracting party. The performance of the contracting parties shall be reviewed and monitored not less frequently than annually and shall be subject to termination with or without cause, at the election of the CEO, upon recommendation by the Investment Committee. Terminations without cause shall be with reasonable notice to the service provider. Terminations with cause shall be without notice.
- 3.5 Commission and Authority Approvals.** Due to the complex nature of regulatory requirements governing pension administration, the CEO, with advice from the Investment Committee, may enter into contracts in accordance with the provisions of Section 3.4 hereof. Selection of contractors, regardless of annual contract amount, may be through informal solicitations, requests for qualifications, or any other method allowed by the Housing Commission's Procurement Policy, including, in the appropriate instances, sole source procurement methods, competitive proposal methods (formal and informal), etc., provided adequate steps are taken to ensure that contracting is accomplished in a cost effective and productive method for the ultimate benefit of the participants and that the cost being paid for the services rendered is reasonable and in line with industry standards, taking into account factors such as experience, reputation in the industry, etc. Nothing contained herein, shall require the CEO to adhere to the recommendations of the Investment Committee, which shall be advisory in nature.

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~~5. ELIGIBLE INVESTMENTS~~

~~5.1 The Investment Committee shall limit the Fixed Income Fund investment option for pension plan assets to the following investment types:~~

- ~~A. United States Treasury Securities (Bills, Notes and Bonds).~~
- ~~B. Obligations of United States Government Agencies (such as Federal National Mortgage Association, and Federal Farm Credit Banks).~~
- ~~C. Insured certificates of deposit with banks and savings and loan associations.~~
- ~~D. Prime rated (Moody's Investment Grade(MIG)-1 and Standard's and Poors(P)-1) commercial paper of major, national financial corporations.~~
- ~~E. Bankers' Acceptances of the U.S. Banks as defined in (C) above.~~
- ~~F. Negotiable Certificates of Deposit as defined in (C) above.~~
- ~~G. Repurchase Agreements executed against U.S. Government or Agency securities. Current market value of the collateral must be greater than or equal to the principal amount invested.~~
- ~~H. A money market fund or stable value Guaranteed Investment Contract fund of a major brokerage firm, registered investment fund, bank or savings and loan either as a convenience for investing odd amounts or for longer terms, provided that the return is competitive.~~
- ~~I. Passbook savings account demand deposits.~~
- ~~J. Local Agency Investment Fund(LAIF).~~
- ~~K. Guaranteed Investment Contracts with the largest (\$5 billion in assets) insurance companies, rated at least AA by Moody's or Standard & Poors at the time of selection.~~

~~5.2 It is the intention of the committee to maximize the use of Guaranteed Investment Contracts (Item K) or related pooled GIC funds.~~

~~5.3 Investment of funds in the other options (Items A-J) will occur as needed to meet short-term cash flow situations or to take advantage of current market conditions in which investing in longer term GIC contracts or funds is not deemed attractive.~~

~~5.4 The Investment Committee may also select registered investment funds, common/collective trust funds and insurance company pooled separate accounts as possible investment options for participant directed investment options. Such funds may cover a broad spectrum of risk categories.~~

~~4. ELIGIBLE INVESTMENTS~~

~~4.1 All selected investment options must have liquidity and/or marketability to pay benefit amounts to participants utilizing that option when due under terms of the Pension Plan and the investment fund sponsor's provisions. Assets within each investment fund option are to be diversified by~~

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industry and issuer, unless industry concentration is specifically provided for in the fund's investment objectives and communicated to participants by the fund's prospectus and any related fund descriptive materials.

4.2 Each alternative must provide the ability to direct the investment of each participant's account as frequently as the market volatility dictates, but no less frequently than once within any three-month period.

4.3 Risk categories available for participant selection will include:

A. Lower Risk/Return Funds: The objective of these funds is to preserve the safety of principal and provide a commensurate rate of interest or return. These investment funds should be typically invested in fixed income investments and safety of principal. Fund options may include Money Market Funds, Stable Value Funds and Short Term Government Bond Funds.

B. Medium Risk/Return Funds: The objective of these funds is to provide an opportunity for capital appreciation and higher levels of interest or return than generally available in the Lower Risk/Return Funds. These funds will generally be invested in highly liquid equity securities, fixed income investments or a combination of both equity and fixed income investments.

C. Higher Risk/Return Funds: The objective of these funds is to provide greater opportunity for capital appreciation. Income may be a secondary objective. These individual fund options may be invested solely in equity securities or higher risk fixed income options or a combination of these investments.

D. Highest Risk/Return Funds: The objective of these funds is to provide an opportunity for greater capital appreciation with correspondingly greater risk by the participant. These individual fund options may be invested in equities and fixed income options of smaller capitalized companies, international stocks, lower grade bonds, securities of a specific industry, securities of initial public offerings and other high-risk options.

E. **Default Fund:** When a participant fails to direct the investment of his or her account or fails to do so on a timely basis, the default investment election shall be the Money Market Fund. A Money Market account is not without some investment risk, but neither the Investment Committee nor the San Diego Housing Commission shall be responsible for any Money Market Fund investment losses.

4.4 A self-directed brokerage account option is specifically authorized for this Plan. The self-directed brokerage account may allow the participant to invest in an extended menu of registered investment funds, including industry specific funds, as well as individual stocks and bonds. The Committee recognizes this capability may involve higher risks, but this optional capability will only be offered in conjunction with other pooled separate accounts and registered investment fund options. Employees utilizing this option do so at their own risk.

5. MONITORING AND REPORTING INVESTMENT FUND ALTERNATIVES

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- 5.1 The Investment Committee will review the services provided by the plan's selected investment fund providers at least annually.
- 5.2 Each calendar quarter, the Housing Commission will receive from the investment fund provider and post a report comparison of each fund's investment performance and the similar performance of appropriate indices for communication to participants.
- 5.3 The Investment Committee will review existing fund and provider options at least annually to determine if new investment alternatives are appropriate or needed. Funds or fund families may be added or deleted if the Investment Committee determines changes are desired.
- 5.4 At least once each Plan year, reports concerning the individual employee's accounts will be distributed to each employee by the investment fund provider. These reports will reflect individual contributions by the Housing Commission and the employee, any investment earnings for the period, the employee's vesting in his or her account for each of the participant's elected investment options.
- 5.5 The Controller will report to the Housing Commission annually pertinent information regarding the pension fund as reflected in the Annual Agency Financial Audit Report.

6. MATURITY SCHEDULING

- ~~6.1~~ The investment of pension plan assets should be limited to those which have a maturity less than 15 years and the average maturity of all pension assets should be less than 10 years. Investments of pension assets for terms longer than one year must be liquid and marketable or subject to an early contract termination with market value adjustment. The Investment Committee will insure that investment maturities are staggered so as to avoid a large percentage of the portfolio maturing in the same year.

6. CUSTODIANSHIP OF INVESTMENTS

- 6.1 The Housing Commission may choose to utilize the services of a third party administrator due to complex nature of governmental pension regulatory requirements. The third party administrator will be responsible for the maintenance of the individual employee pension records, crediting interest and earnings at least quarterly from statements received from investments of pension plan assets, calculation of employee distributions, providing annual reports to employees concerning changes in amounts and vesting, and providing information for annual reporting to state and federal regulatory authorities as required.

7. INSURANCE PERMITTED

- 7.1 **Insurance.** The Housing Commission may obtain and maintain insurance regarding the Investment Committee and its members as it may, from time to time, determine is appropriate, if any.

7. PORTFOLIO DIVERSIFICATION

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~~7.1 To support the stated investment objectives, the fixed income fund and alternative fund investment portfolios must be diversified to sufficiently minimize risk as well as to assure adequate liquidity and marketability of the invested funds. Therefore, no investment of pension plan assets in a single company will exceed thirty-three percent of the total plan assets. Additionally, no investment of pension plan assets will exceed thirty-three percent of the total plan assets in any single investment option. This restriction shall not apply to registered investment funds or commingled funds.~~

~~7.1 The Investment Committee will establish uniform, non-discriminatory policies and procedures regarding the participant's ability to transfer existing account balances among available investment options.~~

~~In no event will the Committee attempt to influence any participant regarding the selection of funds for that participant's specific situation.~~

8. CUSTODIANSHIP OF INVESTMENTS

~~8.1 The Housing Commission's Investment Committee shall transfer assets of the pension plan to and from various eligible investments and will receive copies of all such pension plan transactions. The Investment Committee, through the Controller, will retain all records and contracts pertaining to the investment of pension plan assets.~~

~~8.2 In addition, the Housing Commission shall contract to utilize the services of a company specializing in pension administrative services. This company will be responsible for the maintenance of the individual employee pension records, crediting interest and earnings at least quarterly from statements received from investments of pension plan assets, calculation of employee distributions, providing annual reports to employees concerning changes in amounts and vesting, and providing information for annual reporting to the Internal Revenue Service.~~

9. MONITORING OF PLAN INVESTMENTS

~~9.1 The Investment Committee will monitor on a quarterly basis:~~

~~A. The credit ratings of the insurance companies issuing individual GIC contracts for plan assets.~~

~~B. The average weighted investment rating for any registered investment company, commingled trust account or pooled separate account investing in fixed income securities and/or insurance company guaranteed investment contracts.~~

~~C. The actual investment performance of all current investment fund options.~~

~~9.2 Committee members shall immediately convene to consider any appropriate action when informed the credit rating of any individual contract issuer or pooled contracts declines to less than AA or an equivalent rating.~~

10. REPORTING OF INVESTMENT PERFORMANCE

~~10.1 At least once each Plan Year, reports concerning the individual employee's accounts will be distributed to each employee. These reports will reflect individual contributions by the Housing~~

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~~Commission and the employee, the earnings, the employees' vesting in the account for each of the participant's elected investment options.~~

~~10.2 In addition, the chair of the Investment Committee will make reports to the Housing Commission annually. All transactions, income received, gains or losses, cost basis, market value, and an annualized rate of return should be reported.~~

~~10.3 The Investment Committee shall, at least quarterly, provide reports to Plan participants summarizing the net investment performance for each investment and the current annualized yield for the fixed income fund. This information shall be posted at locations standardly used for other employee communications.~~

~~11. CHANGES IN INVESTMENT ALLOCATIONS FOR EXISTING ACCOUNT BALANCES AND NEW CONTRIBUTIONS~~

~~11.1 The Investment Committee will establish uniform, non-discriminatory policies and procedures regarding the participant's ability to transfer existing account balances among available investment options and to change the allocation of future contributions to the permitted investment options.~~

~~In no event will the Committee attempt to influence any participant regarding the selection of funds for that participant's specific situation.~~

~~Recommended this _____ day of _____, 2001.~~

For the Pension Plan Investment Committee

History

Adopted: 9/26/94

Revised: 10/3/95

Revised: 4/23/96

Revised: 3/23/01

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