

MINNEAPOLIS PUBLIC HOUSING AUTHORITY

Investment Policy Statement

Minneapolis Public Housing Authority Retirement Plan

Effective Date: December 21, 2016

1. PURPOSE AND BACKGROUND

Introduction

Minneapolis Public Housing Authority ("MPHA") is the Plan Sponsor of the Minneapolis Public Housing Authority Retirement Plan ("the Plan"), a defined contribution plan designed to offer eligible employees the opportunity to regularly save and invest through payroll deductions and a contribution from the Plan Sponsor.

Purpose of the Investment Policy Statement

This Investment Policy Statement ("IPS") has been designed to assist the Employees' Retirement Plan Advisory Committee (Committee) with aligning the Plan's investment program with the goals and requirements of the Plan. To that end, this IPS will assist the Committee in carrying out its responsibility to select and monitor Plan's Designated Investment Alternatives.

A Designated Investment Alternative is any investment alternative in which participants and beneficiaries may direct the investment of their individual accounts held under the Plan. These are referred to as Subfunds in section 4.1.1 of the Plan Document.

The Plan's investment program is defined in this IPS by the following:

- Stating in a written document the guidelines and expectations to be taken into account when selecting the Designated Investment Alternatives offered under the Plan.
- Describing the types of Designated Investment Alternatives offered under the Plan.
- Establishing criteria to monitor and evaluate the performance of each Designated Investment Alternative.

Plan Objective

The objective of the Plan is to provide a selection of Designated Investment Alternatives for participants that satisfy the varying needs of participants whose primary objectives may include wealth accumulation, wealth preservation or wealth distribution.

2. DUTIES AND RESPONSIBILITIES

Board of Commissioners (the "Board"):

The Board shall undertake the following functions:

- Approve and adopt the IPS and any amendments or revisions to it.
- Approve or disapprove the Committee's recommendations regarding additions, deletions or changes in Designated Investment Alternatives.
- Appoint a Commissioner of the MPHA Board to serve on the Committee as a liaison to the Board.

Employees' Retirement Plan Advisory Committee (the "Committee"):

The Board of Commissioners authorizes the Committee, through the Executive Director, to undertake the following functions with respect to the IPS:

- Review at least quarterly the investment performance of the Designated Investment Alternatives offered to participants under the Plan.
- Review at least quarterly the Designated Investment Alternatives for compliance with the IPS.
- Regularly review expenses paid by the Plan and Plan participants in connection with the Designated Investment Alternatives and administrative services for reasonableness and necessity.
- Recommend to the Board any additions, deletions or changes in investment Designated Investment Alternatives offered under the Plan.
- Recommend amendments or revisions to the IPS to reflect changing conditions within the Plan to the Board for its approval.

- Review investment communications for appropriate disclosure and consistency with IPS assumptions and criteria.
- Vote proxies, as appropriate.

Investment Advisor

The Investment Advisor is selected by the Committee to serve as an objective, third-party professional who will assist the Committee in managing the overall investment process.

The Investment Advisor acts in the capacity of a non-discretionary fiduciary whose authority is limited to advice, analysis and recommendations regarding the investment options available to the Plan through the investment platform utilized by the Plan.

The Investment Advisor may support the Committee by performing activities including, but not limited to:

- Assisting the Committee in monitoring compliance with the IPS.
- Assisting the Committee with its review of the IPS on a periodic basis.
- Advising the Committee with the selection of asset classes to be offered under the Plan.
- Assisting the Committee in monitoring each Designated Investment Alternative offered under the Plan and providing reports that compare performance to appropriate benchmarks and criteria.
- Considering any material changes in the Designated Investment Alternative's objectives, investment philosophy and/or key personnel.
- Recommending changes to the Designated Investment Alternatives offered under the Plan.
- Recommending mapping for merged or replaced Designated Investment Alternatives.
- Assisting the Committee with its review of the direct and indirect costs associated with each of the Designated Investment Alternatives offered under the Plan.
- Assisting the Committee with its review of expenses paid by Participants.

Plan Service Provider

The Plan Service Provider will support, the Committee, the Investment Advisor and the Plan Sponsor when appropriate. The Plan Service Provider is generally responsible for maintaining the Plan's participant account balances in an accurate and confidential manner, preparing quarterly participant statements, completing annual compliance tests, providing accurate and timely Plan data and reports, providing participants with electronic access to account information and transactions, coordinating delivery of fund prospectuses to participants as requested. The Plan Service Provider may also provide Plan document services and support.

Directed Trustee/Custodian

The Directed Trustee/Custodian makes the Plan's Designated Investment Alternatives available and provides safekeeping for all securities held under the Plan. Other services provided may include, but are not limited to: receiving contributions, settling transactions, providing periodic account statements, making distributions in accordance with the appropriate instructions and keeping accounts and records of the Plan's financial transactions.

3. DESIGNATED INVESTMENT ALTERNATIVES

The Designated Investment Alternatives offered under the Plan are intended to comprise a broad range of investment alternatives that, in part, are intended to enable participants to combine them in a way so as to avoid the risk of large losses and to provide participants the ability to invest according to their own financial goals.

The Plan's Designated Investment Alternatives may include mutual funds, insurance company separate accounts (including but not limited to guaranteed investment contracts which may be part of an insurance company's general

account), bank collective trust funds (including but not limited to stable value funds) and other funding vehicles that are made available to the Plan through the Plan's Directed Trustee/Custodian.

The Committee will periodically review and may at any time recommend changes in Designated Investment options in the Plan. In accordance with Section 4.1.4 of the Plan, the Designated Investment Alternatives will include at least three investment alternatives, each of which is diversified, each of which present materially different risk and return characteristics, and which, in the aggregate, enable Participants, Beneficiaries and Alternate Payees to achieve a portfolio with appropriate risk and return characteristics consistent with minimizing risk through diversification.

4. PEER GROUP AND MARKET INDEX BENCHMARKS

The Investment Advisor will recommend an appropriate peer group and index benchmark, if available, for each Designated Investment Alternative. These will be used in selecting and monitoring the Designated Investment Alternatives and applying quantitative criteria. The peer group and market index benchmarks associated with a Designated Investment Alternative will be specified in the reports prepared by the Investment Advisor.

5. DESIGNATED INVESTMENT ALTERNATIVE SELECTION AND REVIEW CRITERIA

Watch List

The Committee recognizes the long-term nature of retirement plan investing and the variability of investment returns. Periodic underperformance in any of the criteria outlined in this IPS will not necessarily lead to a replacement or termination of a Designated Investment Alternative but may warrant further research and consideration by the Committee.

The Committee will devote heightened review of the Plan's Designated Investment Alternatives that are placed on the Watch List. During periodic reviews, the Committee may recommend action, including but not limited to, the following:

- Extend the Watch List period.
- Remove the Designated Investment Alternative from the Watch List.
- Remove the Designated Investment Alternative from the Plan after four consecutive quarters unless there is sufficient evidence that the issue(s) that caused it to be placed on the Watch List are not systemic or the Committee determines there are other considerations that justify its retention.

For actively managed funds, the Committee will review the Plan's Designated Investment Alternatives for placement on a Watch List or for immediate removal using the qualitative and quantitative criteria below.

Qualitative Criteria

Each Designated Investment will be evaluated using factors that include, but are not limited to, the following.

- Consistent investment strategy.
- Changes in the Designated Investment Alternative's organization or personnel that are deemed significant.
- Asset size that is appropriate for the Designated Investment Alternative's investment objectives.
- A reasonable investment fee structure.
- A performance track record of a minimum of three years, unless otherwise appropriate.
- Any investigation undertaken by any governmental or regulatory body with respect to the trading or other practices of the managers of the Designated Investment Alternative.

The Committee will use discretion to determine if a Designated Investment Alternative is placed on the Watch List based on the Qualitative Criteria and undergo additional analysis, which may result in a recommendation for replacement.

Quantitative Criteria

Each Designated Investment Alternative's performance (with the exception of money market, stable value, and guaranteed interest funds) will be evaluated using the performance of a peer group. Performance will be measured over a near-term period of up to three years and a long-term period of up to ten years.

For near-term performance, the following measure will be used:

- Performance. Compares the performance of the Designated Investment Alternative against the performance of the peer group. A three year period or a time period that more appropriately represents the Designated Investment Alternative's investment style will be used.

Any Designated Investment Alternative that ranks in the bottom 10% of its peer group may be placed on the Watch List and undergo additional analysis, which may result in a recommendation for replacement.

For long-term performance, the following four performance measures will be used:

- Performance. Compares the performance of the Designated Investment Alternative against the performance of its peer group.
- Capture Ratio. Compares how a Designated Investment Alternative performed against its benchmark during periods when the benchmark was positive and periods when the benchmark was negative.
- Sharpe Ratio. Compares a Designated Investment Alternative's performance against its benchmark after adjusting for volatility differences.
- Alpha. Compares a Designated Investment Alternative's performance against its benchmark after adjusting for market risk differences.

When applying each of these four performance measures, a ten year period, the longest time period available or a time period that more appropriately represents a Designated Investment Alternative's investment style will be used.

These four performance measures for a Designated Investment Alternative will be combined into a composite model so that the Designated Investment Alternative may be ranked against its peer universe. Any Designated Investment Alternative that falls in the bottom 25% of its peer group ranking may be placed on the Watch List and undergo additional analysis and review, including measuring its performance relative to its benchmark, which may result in a recommendation for replacement.

Criteria for Passively Managed (Indexed) Alternatives

The Committee will take into account the following criteria when selecting and reviewing the Plan's passively managed Designated Investment Alternatives:

- A reasonable investment fee structure.
- Low tracking error relative to its benchmark.

Criteria for Money Market, Stable Value and Guaranteed Interest Funds and Alternative Investments

The Committee will take into account the following criteria when selecting and reviewing the Plan's Designated Investment Alternatives that are money market, stable value or guaranteed interest funds or alternative investments:

- A reasonable investment fee structure.
- Performance versus appropriate peers.
- Performance versus an appropriate index.

6. CUSTOM MODEL PORTFOLIOS

Custom model portfolios are a form of a pre-set asset allocation service made available to participants and use Designated Investment Alternatives currently offered as investment choices under the Plan. Model portfolios are not themselves considered to be Designated Investment Alternatives but rather constructed from the Plan's broad array of Designated Investment Alternatives. The Investment Advisor shall make recommendations regarding the asset allocations of the model portfolios but will not have discretionary authority to affect any changes without the direction and approval of the Committee. In addition, the implementation and timing of any automatic portfolio rebalancing feature that may be made available by the Plan's Service Provider will be at the direction of the Committee.

The historical data, assumptions, and benchmark performance used to create each model portfolio will be reviewed periodically. If that review indicates that a change in asset allocation strategy is warranted, the asset allocation recommendation for each model portfolio may be revised.

Each model portfolio will be monitored and benchmarked against a blend of appropriate benchmarks.

7. TARGET DATE ASSET ALLOCATION FUNDS

A series of Target Date Asset Allocation Funds using the Designated Investment Alternatives in the Plan are established to provide participants with an asset allocation that changes over time corresponding with the assumed retirement date for the participant.

Target Date Asset Allocation Funds will be rebalanced back to their objective allocation quarterly.

Target Date Asset Allocation Funds will be measured against a weighted benchmark.

8. QUALIFIED DEFAULT INVESTMENT ALTERNATIVE

As of the date of this IPS, the Committee has designated the Target Retirement Date funds to serve as the investment default election, should a participant fail to give direction. The Committee will change the investment default election as deemed appropriate by the Committee.

9. FEE DISCLOSURES

The Committee will review the fee disclosures provided by each covered service provider.

The Plan Service Provider may assist the Plan Sponsor with the creation and/or distribution of required annual notices. Also, the Committee will work with the Plan Service Provider to establish and distribute the Plan's participant fee disclosure on an annual basis and as Plan changes warrant.

10. PROXY VOTING

The Committee, acting on behalf of the Plan Sponsor, may vote proxies. Suggested guidelines for voting include, but are not limited to, the following.

- The Committee may use the services of an independent proxy voting third party and/or consult with an investment advisor, but retain ultimate responsibility for voting.
- For routine matters likely to pass, or for which voting carries little or no economic value for participants (net of direct or indirect costs), the Committee may abstain.
- For issues warranting investigation, the Committee may investigate, then vote if there is reason to believe the vote can benefit participants economically.
- Keep copies of the completed proxy indicating the date, nature of the vote, and the actual vote cast, plus the rationale for the vote cast.
- Keep copies of any additional proxy materials received. If a vote is not cast, record the reasoning for this action.

11. COORDINATION WITH PLAN DOCUMENTS

If any portion of this IPS conflicts with the Plan, the terms of the Plan will control.

12. ADOPTION

This Investment Policy Statement is hereby adopted and shall remain in effect until revised, amended or terminated by the Committee.

Adopted Date: _____

By: _____

Title: _____