



## **PENSION PLAN**

### **Statement of Overall Investment Objectives and Policies**

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#### **Investment Consultants:**

Segal Marco Advisors  
Christian Sevier, Vice President

Ryen Sherman, Senior Vice President  
Herbert Marache, Associate

#### **Record keepers:**

Lincoln Financial  
Tatiana Hersh, Client Rep

#### **Retirement Board Members:**

Mike Walsh, Resident, Chairperson  
Barry Jackson, Councilmember

Darryl Parrish, Resident  
Jeff Mihelich, City Manager  
Greg Satterfield, AFSCME  
Representative  
Paula Perez, AAME Representative  
Sergeant Chris Peck, FOP  
Representative

Principal Financial Group (Benefit Index)  
Trisha Howe, Client Rep

#### **Staff:**

Stacey Webster, CFO  
Daisy Harley, Benefits  
Manager

#### **Investment Managers:**

Principal Global Investors – Large Cap  
State Street Asset Management – Small Cap Core Equity  
Principal Global Investors – International Equity  
Black Rock – Core Fixed Income  
Principal Diversified Real Assets Fund – Global Real Assets  
Prudential Real Estate Investors – Real Estate  
Invesco – Global Tactical Asset Allocation

This Statement of Overall Investment Objectives and Policies supersedes all other previous policy documents.

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**Background:**

The City of Rockville sponsors a Defined Benefit Pension Plan (the “Plan”) for its employees and retirees who are the intended beneficiaries of the Plan. The Plan was established in accordance with Article VIII, Section 7, of the Rockville City Charter and it complies with all relevant federal and state regulations. This Statement of Investment Objectives and Policies (the “Statement”) applies only to the City’s pension plan assets. The City’s Retirement Board (the “Board”) has the responsibility of administering the Plan’s assets. Plan assets are invested with various investment/fund Managers, collectively (“Fund”). The Board’s overall goal is to ensure that sufficient resources will be available to make payments as promised to the Plan’s beneficiaries. The Board accomplishes this by taking a long-term approach with its investment strategy including a review of its risk tolerance. Investment Policies as described herein are established based on the Board’s primary objectives and risk tolerance. This Statement will be reviewed and revised when necessary to ensure that the Plan’s expectations and objectives are being fulfilled.

**Statement of Purpose:**

The purpose of the Statement is to set forth the investment objectives and guidelines applicable to Plan investments, and administration thereof. It will be incorporated into all existing and any future investment management agreements with each investment manager (“Investment Manager/Manager”) retained by the Plan. Each such investment manager agreement shall acknowledge and agree to the objectives set forth in the Statement and the manager specific guidelines appended as Exhibit “A” hereto (the “Guidelines”).

One of the primary objectives of this Statement and Guidelines is to foster an effective working relationship between the Investment Managers and the Retirement Board through a discipline of good communication. The Statement and Guidelines provide the Board and the Investment Managers with a foundation from which to formulate specific investment strategies and goals so that the Board and any independent investment consultant retained by the Plan (“Investment Consultant/Consultant”) can effectively implement the Plan’s investments, evaluate the performance of the Investment Manager, and otherwise oversee the management of Plan investments in a prudent manner.

Given the dynamic nature of the investment environment, this Statement provides a framework which allows sufficient flexibility in the management and oversight process while setting reasonable parameters to ensure prudence and care in the implementation of the investment programs. Accordingly, this Statement is not intended to remain static. The Board and the Investment Consultant retained by the Board will periodically review the Statement and update it as necessary to ensure this Statement remains consistent with the Plan’s circumstances and with the overall investment and economic environment.

**Conduct of the Retirement Board Members and the Investment Managers**

The Board is charged with the responsibility for the investment of the assets of the Plan. Board members shall discharge their duties solely in the interest of the Plan participants and beneficiaries and for the exclusive purpose of providing benefits to Plan participants and their beneficiaries and authorizing payment of reasonable expenses of administering the Plan. They shall discharge their duties with the care, skill, prudence and diligence under the circumstance then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims. Furthermore, the Board shall diversify the investments of the Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

In performing their investment duties, the Board and its investment managers shall comply with the fiduciary standards set forth in ERISA (Employee Retirement Income Security Act of 1974, as amended (29 USC 1104) (a) (1) (A) - (C).

It is the intention of the Board to allow Investment Managers discretion in investing their Account within the scope established by this Statement and the Guidelines. The Board and the signatory Investment Managers agree that this Statement and the Guidelines are incorporated into the investment management agreement between them (the "Agreement") and shall govern the Investment Manager in formulating its strategy for investing the Plan's assets. This Statement and the Guidelines shall be controlling in the event of any conflicting provisions set forth in the Agreement.

**Organization of the Statement**

The balance of this document is organized into the following components:

- A. Group Annuity Contract and Pension Credited Interest (Section II): A Description of the Plan's Group Annuity Contract with the Principal Financial Group which governs a portion of Pension Plan assets and factors used by the Board to set the Credited Interest Rate earned by Plan participants;
- B. Investment Goals, Objectives and Beliefs (Section III): The investment objectives that the Board believes to be appropriate and prudent to implement their strategic planning for the investment of the Plan's assets;
- C. ESG Investing (Section III): The approach that the Board utilizes when it comes to Socially Responsibility Investing.
- D. Investment Policies (Section IV): The general investment policies and objectives and performance expectations for the Investment Managers;
- E. Performance Measurement (Section V): The approach that the Board will use to measure the investment performance of each Investment Manager and to ensure that the Plan remains invested in accordance with the principles set forth in this Statement;
- F. Account Investment Policies (Section VI): The general investment policies and objectives of the Investment Manager's Account;
- G. Communication and Reporting (Section VII): Accounting and reporting guidelines for purposes of measuring the performance of the Investment Managers;
- H. Duties and Responsibilities (Section VIII): The responsibilities and duties assigned to the parties responsible for managing the Fund.
- I. Proxy Voting Guidelines (Section IX): Specific rules setting forth the Investment Managers' right and obligation to vote proxies appurtenant to Plan securities.
- J. Manager Specific Guidelines (Exhibit A) (Section X)

## SECTION II

# GROUP ANNUITY CONTRACT AND PENSION CREDITED INTEREST

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### Group Annuity Contract

The Group Annuity Contract was a previous strategy of the Board to try and manage the risk of the Plan. The strategy essentially transferred the risk from the Plan to an insurance company. The insurance company guarantees payment to retirees while allowing the management of Plan assets to remain with the Board. The Board ended this strategy years ago, preferring to manage the risk of providing benefits to retirees itself. Accordingly, there is a fixed number of retirees guaranteed payments by the Principal Financial Group (Principal). This fixed number of retirees decreases upon the death of a retiree.

The Plan is a party to a group annuity contract, with the Principal Financial Group (Principal), which affects a portion of Pension Plan Assets. This annuity contract requires the Plan to maintain a certain amount of assets – equal to 110% of the total value of benefits payable to certain retired City of Rockville retirees, the covered participants, with the contract issuer, the Principal. If the invested assets' market values fall below the required level, the contract issuer can initiate the sale of assets to purchase annuities for the covered participants. The Board shall review the cost of purchasing the annuities relative to the removal of liabilities covered, and determine whether the purchase of the annuities is, or is not, in the best interest of the Plan. The Board will periodically assess whether to remain a party to the contract or terminate the contract by purchase of the annuities on behalf of the covered participants.

On a monthly basis, the contract issuer, Principal, provides staff with an update of the required amount to be invested with Principal, to remain compliant with the group annuity contract. This amount fluctuates primarily based on the discount rate of the liabilities, but also due to other factors in the formula identified in the contract. The Board has elected to maintain at least \$25.0 million invested with Principal to ensure that a purchase of annuities occurs only if deemed desirable by the Board. Under the terms of the annuity contract, certain types of investment or asset classes are, categorized by risk level, and have factors applied to the market values when credited towards the required amount. Thus, each dollar invested is not applied to the required amount at a 1 for 1 ratio.

Principal is responsible for supplying the applicable factors for determining the value of the investments and / or asset classes. The Investment consultant works with City of Rockville staff to apply the factors to each asset class and calculates the required amount relative to the buffer and reports to the Board on a periodic basis.

### Pension Plan – Credited Interest

The Board shall periodically review the amount of interest the Plan pays to participants for their contributions to the Plan. The interest rate effective July 1, 2021 is 3%. Factors that the Board will evaluate are the Board's long-term earnings assumption, a market risk free rate of return, the rate paid by stable value funds, and general economic conditions.

**A. Investment Goals and Objectives**

The Board's mission is to fulfill the promise made to City employees by delivering retirement benefits they have earned through consistent contributions made by both employer and employees through a carefully planned and executed investment program. In pursuit of this mission, the Board seeks a total return net of all investment management fees and expenses that matches or exceeds the following:

- Over a long-term period of 20 years, the actuarial rate of return as adopted periodically by the Board that is consistent with a prudent level of risk.
- Over a full market cycle, the Customized Index that reflects the Board's tolerance for volatility as exhibited in the Board's strategic asset allocation.

**B. Investment Beliefs**

1. The Board is a long-term investor; having this perspective allows the Board to invest meaningfully in equities and other growth-sensitive assets that will experience short-term fluctuations but are expected to deliver substantial value over the long run.
2. Since the Board is unable to anticipate near-term capital markets performance, the Board invests the assets consistent with the strategic asset allocation rather than attempting to tactically time the market. The strategic asset allocation represents a well-diversified and fully invested portfolio that allocates across multiple asset classes, investment styles, investment strategies, geographic regions, and fund managers.
3. Among the wide variety of factors affecting investment returns, the assets total return is affected more significantly by its strategic asset allocation than by manager selection or other asset class implementation decisions, which play less significant roles.
4. Investment actions are considered, and performance is evaluated net of fees and expenses. The Board recognizes that these costs have a direct impact on performance, so they must be carefully considered and closely monitored throughout all of the Fund's investment activities.
5. The Risk associated with investing Fund assets is multi-dimensional and cannot be simplified to a precise measure. Therefore, investment operational and governance risks must be clearly identified, closely examined, and appropriately managed when making investment decisions. Ongoing evaluation is necessary to identify emergent risks.

6. Passive investing is an appropriate strategy for investing in public markets. However, the Board may deviate from passive investing where superior risk-adjusted returns are expected by capitalizing on market inefficiencies or avoiding the drawbacks of tracking a market index. Such decisions require the identification of managers with resources and capabilities to successfully execute their strategies.

7. Performance of the Fund, its asset classes, and Managers must be evaluated on a regular and consistent basis against investment objectives and applicable and appropriate benchmarks, including market indices and peer universes.

8. It is imperative to ensure that the interests of the Board's service providers (for example, its Managers and Investment Consultant) are aligned with the Fund, in order to ensure that the Board's best interest are not compromised in any investment, administrative, or other matter.

9. The sole purpose of the Fund is to satisfy the Board's liabilities, namely the retirement benefits promised to all participants in the Plan. While the Board believes that a liability-matching strategy is sub-optimal, the liabilities should still be considered in setting investment strategy to ensure sufficient portfolio liquidity and an understanding of their and the Fund's shared market and economic sensitivities.

### C. Benchmark - Customized Index

The Fund uses a custom Index as recommended by the Consultant. This Strategic Policy Benchmark is based on a weighted average of other public market indices. Over a complete market cycle (3-5 years) the total Fund has an additional investment performance goal of outperforming this weighted Benchmark on an annualized basis.

#### Strategic Policy Benchmark Composition

Market Index	Weighted Percentage
S&P 500 Index	20.0%
Russell 2000 Index	10.0%
MSCI ACWI ex U.S. Index	20.0%
NCREIF ODCE Index	10.0%
Bloomberg U.S. Aggregate Bond Index	22.5%



Principal Diversified Real Asset Strategic Index	7.5%
90-Day Treasury Bill	10.0%

**D. Actuarial Assumption**

The Plan's investment program will be designed to achieve a minimum investment performance goal equal to its actuarial assumption, as measured over a complete market cycle. This will preserve the actuarial soundness of the Plan in order to meet the Plan's benefit obligations.

The Board shall periodically evaluate the Plan's actuarial assumption to ensure that earnings realized are in line with the actuarial assumption.

**E. ESG Investing**

Environmental, Social, and Governance (ESG) factors broadly refer to environment, sustainability, ethical, and corporate governance issues. Such factors may have both societal impacts and influence an investment's risk and return. The Retirement Board can incorporate ESG Investment Strategies into its management of the System that are consistent with the Board's fiduciary responsibilities to act in the best interests of the members, retirees, and beneficiaries of the System, per City Code S15-83(b) and consistent with the Board's role as a prudent, long-term investor. Rockville Retirement fund investments should be prudent on their own merit, providing expected comparable risks and returns to similar investments, regardless of the collateral benefits they offer. Fiduciaries must not sacrifice investment return or assume greater investment risks to promote collateral social policy goals. Investments must be consistent with established risk-return standards and not conflict with the fiduciary responsibility to invest the System's assets for the exclusive benefit of the participants.

The focus of the Systems fiduciaries is on the financial returns and risks to the system. Any such investment must be economically equivalent, such that the expected rate of return is commensurate to the rates of return of alternative investments with similar risk characteristics that are available to the System, and the investment is an appropriate investment for the System in terms of such factors as diversification and the System's investment policies.

**A. Strategic Asset Allocation and Investment Manager Structure**

The strategic asset allocation decision is generally regarded as the most important decision to be made in the investment management process. The Board, subject to its risk-tolerance and long-term outlook, will seek an optimal mix of investments that will produce the desired returns and meet current and future liabilities with due regard to risk and preservation of the value of the portfolio. The strategic asset allocation will be determined through appropriate studies undertaken by the Investment Consultant ("Consultant") retained by the Board. The Board, with the aid of the Consultant and Staff, will determine the asset classes, assumptions and criteria to be incorporated in the asset-liability study. An asset-Liability study will be performed no less frequently than every five years. Appropriate adjustments to the existing portfolio will then be made in a timely and appropriate manner.

On a periodic basis, the Consultant will analyze the portfolio structure of each asset class. This analysis shall include: 1.) appropriateness of the asset class and Manager benchmarks 2.) alignment structure of individual portfolios with asset class benchmarks, 3.) evaluation of whether the asset class is structured in such a manner that is consistent with the Board's objectives, and 4.) overall risk profile of the asset class.

In order to provide an appropriate level of diversification for the Plan, Investment Managers with complementary or diverse investment styles will be retained. It is not the intention of the Board to become involved in day-to-day investment decisions. Therefore, the Board shall engage several Investment Managers to manage portions of the total Fund allocated to particular asset classes in a manner consistent with the Agreement, this Statement and the Guidelines. It is the intention of the Board that the Investment Managers competitively bid the purchase of securities when feasible and appropriate. Except otherwise required by law, the most economically advantageous bid, subject to best execution of trades, is to be selected. Neither this Statement nor the Guidelines are intended to direct an Investment Manager to purchase or sell any specific security or to effect or refrain from any specific investment transaction for its Account. The Board will neither assume any obligation or responsibility for the direct management of Account assets allocated to the Investment Manager nor be liable for any acts or omissions of the Investment Manager that result in any loss to the Account.

### Asset Deployment Policy

The guidelines that the Retirement Board has adopted for the overall allocation of the Plan's assets are as follows:

Asset allocation	Target (%)	Ranges (%)
<b>Domestic Equity</b>	<b>30.0</b>	<b>20-40</b>
<i>Large Cap</i>	<i>20.0</i>	<i>15-25</i>
<i>Small Cap</i>	<i>10.0</i>	<i>5-15</i>
<b>International Equity</b>	<b>20.0</b>	<b>15-25</b>
<b>Fixed Income - Core</b>	<b>22.5</b>	<b>17-28</b>
<b>Real Estate</b>	<b>10.0</b>	<b>5-15</b>
<b>Global Real Assets</b>	<b>7.5</b>	<b>3-13</b>
<b>Global Tactical Asset Allocation (GTAA)</b>	<b>10.0</b>	<b>5-15</b>

**Equity:** Equity includes investments that represent ownership stakes in companies. Equity is generally expected to perform well in periods of accelerating economic growth and poorly in periods of declining economic growth. The Board expects that over the long run, equities will generate the highest total return of any asset class but may be subject to substantial volatility over shorter periods. The Board invests in public equity which represents shares in companies that are listed on public market exchanges. The Board seeks to diversify public equity investments by geography, size, sector, style, and company with a composition that approximates the global equity market. In doing so, the Board will own shares of companies based in the United States, other developed market countries and emerging market countries.

**Fixed Income:** Fixed Income includes investments in debt where the borrower may be governments, companies, or other parties. The Board expects that over the long-run, fixed income will provide an appreciably lower but more stable return than equities with less sensitivity to changes in economic growth.

Core Fixed Income represents debt investments of high credit quality. The Board seeks to diversify the Board's core fixed income investments by maturity and sector with a composition that approximates the U.S. dollar denominated investment grade debt market.

**Real and Multi-Assets:** Real assets includes investments that are tangible and produce inputs into the economy. Real assets are expected to provide cash flow and some protection against unexpected inflation with a moderate sensitivity to changes in economic growth. The Board expects that over the long run, real assets and multi assets will provide a total return and risk profile between equity and fixed income investments. Real assets are typically less liquid than those of public equity or fixed income. Multi- Asset strategies include looking for opportunities globally across multi-asset classes.

## **B. Rebalancing Guidelines**

Rebalancing is the action of changing the proportion of Fund assets held in each asset class. The primary purpose of rebalancing is to ensure that the Fund adheres to its asset allocation approach to its investments. Rebalancing can reduce volatility and may add value in comparison to a portfolio that does not rebalance. Rebalancing will be carried out in a cost-effective manner. The Board will rebalance the portfolio as needed, but at least annually at the end of the Plan year.

The Board, with assistance from the Investment Consultant, will monitor the Fund's overall asset composition within the parameters described above. They will do so by giving specific instructions as to the range of allowable variation of asset classes from established allocation targets set for individual Investment Managers and by monitoring quarterly the value of assets in each class actually held by such Investment Managers. The Board recognizes that markets generally do not move in concert, and that actual allocations will deviate from the targets. If the assets deviate from the ranges as outlined above for a period of more than 2 calendar quarters, the Board will authorize rebalancing in order to be in compliance with the acceptable ranges.

The performance expectations of the Board are hereby communicated to the Investment Managers in their respective Guidelines. These will include comparison to benchmark returns and standard deviations as well as universe comparisons. Quarterly performance will be evaluated to test progress toward attainment of longer-term goals.

The Board recognizes the possibility that losses may occur from time to time in an Account. The Board will not regard such losses alone as evidence of imprudence, provided that the overall investment performance of the Investment Manager is consistent with 1) the objectives set forth in this Statement and the Guidelines, 2) relevant investment industry benchmarks over appropriate time periods, and 3) the investment style that the Investment Manager was retained to pursue (as it may be modified through subsequent written communications with the Board). It is understood that there are likely to be short-term periods during which the performance of an Investment Manager deviates from market indices. During such times, greater emphasis shall be placed on performance comparisons with investment managers employing similar styles.

Set forth below are the criteria that the Board and the Investment Consultant will use to evaluate the performance of each Investment Manager, depending upon the type of portfolio being managed. Manager benchmarks are listed in Manager Specific Guidelines. The Investment Manager will be expected to:

1. Achieve a rate of return that exceeds the Investment Manager's respective index/benchmark net of investment management fees over a complete market cycle (3-5 years).
2. Achieve annualized performance results, which rank above the median of a universe comprised of equity investment managers with similar style characteristics.
3. Achieve a positive risk/reward trade-off when compared to the respective benchmark/index.

**A. General**

The Board has sole and absolute discretion to select Investment Managers and to replace them when necessary. The Board may review each Investment Manager's portfolio, and may meet with each Investment Manager periodically to review the portfolio investments, investment returns, changes in the Investment Managers staff, market conditions and environment, and any other pertinent items.

Except with the advance written approval of the Board, the Investment Manager is prohibited from entering into any transactions for the Plan that are not authorized by this Statement or the Guidelines, including, without limitation, making any investment in a security or investment specifically prohibited by the Statement or the Guidelines.

**B. Legal Compliance**

The Investment Manager is expected to perform their fiduciary duties prudently, as defined in this Statement. Each Investment Manager shall at all times discharge its responsibilities with respect to the Account it manages on the Plan's behalf. In addition, the Investment Managers shall be registered as an Investment Advisor with the Securities Exchange Commission.

Each Investment Manager appointed by the Board to execute the Policy will invest plan assets in accordance with the Agreement, this Statement of Overall Objectives and Policies, Guidelines and their judgments concerning relative investment values. In particular, the Investment Manager will be accorded full discretion, within Guideline limits, and within the requirements of applicable laws, to (1) select, purchase, and invest in, individual securities; (2) make periodic adjustments to the proportions of equity securities, fixed-income securities and cash equivalents; and (3) diversify plan assets. The Investment Managers shall discharge their responsibilities with respect to the Plan's assets in accordance with their fiduciary responsibility. The Board recognizes that Plan investments in commingled investment vehicles will be subject to the provisions and guidelines of the commingled investment vehicle's governing prospectus or other investment fund documents.

Any and all Investment Managers overseeing assets in a separate account for which the Board can determine the investment policy and guidelines, must comply with Chapter 15 entitled "Personnel" of the Rockville City Code, Article VI, Retirement Plan, Division 2, Sections 15-88 and 15-89, which

approves the prohibition of investment of retirement funds in certain businesses conducting operations in Sudan.

### **C. Asset Class Investment Guidelines**

#### **1. Domestic Equity**

- a. Domestic Equity investments will be made through a separate account or the purchase of units of commingled funds, mutual funds or group trusts.
- b. Any such commingled fund, mutual fund or group trust shall comply with its own investment guidelines. A copy of the investment guidelines and objectives of the commingled fund or trust shall be provided to the Retirement Board and its Investment Consultant. In addition, should the investment guidelines and objectives be modified, the Retirement Board and its Investment Consultant shall be notified promptly in writing as to the specific change and shall be provided with a copy of the modified investment guidelines and objectives

#### **2. International Equity**

- a. International Equity investments will be made through the purchase of units of commingled funds, mutual funds or group trusts.
- b. Any such commingled fund or group trust shall comply with its own investment guidelines, outlined in the Memorandum(s) and Trust Agreement(s). A copy of the investment guidelines and objectives of the commingled fund or trust shall be provided to the Retirement Board and its Investment Consultant. In addition, should the investment guidelines and objectives be modified, the Retirement Board and its Investment Consultant shall be notified promptly in writing as to the specific change and shall be provided with a copy of the modified investment guidelines and objectives.

#### **3. Domestic Fixed Income**

- a. Domestic Fixed Income investments will be made through the purchase of units of commingled funds, mutual funds or group trusts.

- b. Any such commingled fund, mutual fund or group trust shall comply with its own investment guidelines, outlined in the Memorandum(s) and Trust Agreement(s). A copy of the investment guidelines and objectives of the commingled fund or trust shall be provided to the Retirement Board and its Investment Consultant. In addition, should the investment guidelines and objectives be modified, the Retirement Board and its Investment Consultant shall be notified promptly in writing as to the specific change and shall be provided with a copy of the modified investment guidelines and objectives.

#### **4. Real Estate**

The real estate portion of the Plan's assets may be invested in pooled real estate vehicles, limited partnerships, or other types of real estate investments as determined by the Board in consultation with the Investment Consultant.

#### **5. Global Real Assets Portfolio**

The Global Real Assets portfolio will provide inflation protection and diversification to the Plan's investment program. Global Real Asset investments will be made through the purchase of units of commingled funds, mutual funds or group trusts.

#### **6. Global Tactical Asset Allocation (GTAA)**

The GTAA allocation may be invested in a pooled or mutual fund. GTAA investment managers typically focus on providing absolute return or real return with varying degrees of equity exposure. The purpose is to provide a tactical investment product that provides diversification to a Plan's investment program. The investment strategy focuses on investing based upon perceived long-term market trends and exploiting short-term market inefficiencies by establishing positions in relatively attractive areas of the global investable universe.

#### **7. Cash and Cash Equivalents**

Uninvested cash balances of an Account should be kept to a minimum at all times (unless clearly prudent not to do so), through the prompt investment of available funds in short-term security holdings, cash equivalents (which includes only commercial paper rated A-1 or P-1, by Standard and Poor's or Moody's respectively, U.S. Government and U.S. Agency obligations, bank money market instruments, or bank certificates of deposit) or other prudent and appropriate common, collective or



pooled trusts. The use of common, collective or pool trusts or funds, or “money market” instruments, is permissible only if the securities within such funds meet the general quality (and other) constraints of this Statement and the Guidelines.

### **8. Other Investments**

The Board, after consulting with the Investment Consultant, may authorize the use of any other investment for an Account provided that such investment is considered prudent for a retirement fund. All Assets that provide appropriate diversification (specifically low correlation with existing assets) will be considered.

### **9. General Restrictions**

An Investment Manager shall not use any additional commingled fund (other than with respect to Cash and Cash Equivalents as specifically allowed by this statement), unless the Investment Manager notifies the Board and the Investment Consultant in advance, in writing, of its desire to use such other fund and the Board grants written approval.

**A. Communication and Reporting**

Each Investment Manager is required to provide quarterly written reports to the Investment Consultant. The quarterly reports should contain, at a minimum, the following information:

1. Performance results compared with appropriate benchmarks.
2. The characteristics of the aggregate holdings of the Investment Manager's Account in comparison with the Investment Manager's particular benchmark.
3. A record of all proxy decisions, including, without limitation, the company name, the number of shares voted, a description of the issues voted upon, how the shares were voted, and the Investment Manager's rationale for voting.
4. The Investment Manager will provide the Fund Manager and the Investment Consultant with annual notice of the filing of its Form ADV with the SEC, as well as a copy of such filing.
5. Each Investment Manager must meet with the Board and the Investment Consultant as requested.

The Investment Managers may not act upon written or oral instructions from any person other than the full Retirement Board or its duly authorized representatives.

**A. Duties of the Board (Article VI, Section 15-87 of City Code)**

Although it is not the intent of the Board to be involved in the day-to-day investment activities, it is responsible for the Fund and its investments. The Board will adhere to the following procedures in the management of the Fund:

- In consultation with Staff and the Consultant, develop, approve, and periodically review policies and practices to govern the execution of the investment program. Staff will be responsible for implementation and administration of these decisions.
- In consultation with Staff and the Consultant, establish and periodically review the strategic asset allocation for the Fund.
- In consultation with Staff, select, manage, review, and terminate Managers, and the Consultant.
- Review the investment portfolio on at least a quarterly basis, including an assessment of performance as compared to this Statement of Investment Policy and peer funds.

**B. Duties of the Staff**

Staff provides analysis and recommendations to the Board on investments and related matters; oversees and directs the implementation of Board policies and manages the Fund on a day-to-day basis. Further, Staff shall:

- Initiate and perform any special research requested or required by the Board.
- Liaison with the Consultant on any investment related operational issues.
- Keeps the Board apprised of other investment related matters.

**C. Duties of the Consultant**

The Board uses an outsourcing model for its Investment Management to the Consultant. The Consultant shall be responsible for the following:

- Conduct Manager searches, as approved by the Board.
- Evaluate and manage the relationships with Managers and the Custodian to ensure that they are serving the Board well.
- Monitor and evaluate Managers for such matters as adherence to the Board's policies and guidelines.
- Manage portfolio restructuring, portfolio rebalancing, and investment reallocations or Manager terminations as needed.
- Make recommendations to the Board, in collaboration with Staff, regarding investment policies and procedures, and strategic and tactical asset allocation matters.
- Acknowledge and agree to accept fiduciary responsibility in providing services to the Board.
- Assist the Board and Staff in the selection of qualified Managers, and assist in the review of existing Managers, including monitoring changes in personnel, ownership and their investment processes.
- Provide topical research and education on investment subjects as required or requested by the Board or Staff.
- Prepare a performance report at least quarterly assessing the performance of the Fund, its asset classes, and its Managers in relation to this Statement of Investment Policy, relevant performance indices, and peer funds.
- Perform periodic Asset-Liability modeling to inform the Board's strategic asset allocation

**D. Duties of the Investment Managers**

Each Manager is responsible for all aspects of portfolio management as set forth in its contract with the Board or their obligations as specified in the fund prospectus.

- Manage the Board's assets under its care, custody and /or control in accordance with the objectives and guidelines in this statement of Investment Policy and Manager specific contract.
- Acknowledge and agree to accept fiduciary responsibility in safeguarding and managing the Board's assets under its control, and in complying with this Statement of Investment Policy.
- Adhere to the investment management style concepts and principles for which they were retained.
- Obtain best execution for all transactions by considering such factors as cost, speed efficiency and confidentiality, and, where appropriate, facilitate soft dollar credits (i.e. payment of services through commissions) and the recapture of commissions for the Board's benefit.
- Monitor and evaluate performance relative to the established objectives that are defined by the Board based on the Manager's asset class and style as specified in the Manager's contract.
- Notify the Consultant in the event of any significant change in investment style, firm ownership, senior personnel, or the mandates portfolio manager or relationship manager.
- Maintain frequent and open communication with the Consultant on all significant matters pertaining to the investment program, including, but not, limited to, performance, portfolio structure and organizational matters.
- Meet with the Board, Staff and/or the Consultant on an as-needed basis.

The Investment Managers, and staff, rather than the Board, will have the responsibility for voting all proxies appurtenant to the securities held in portfolios that are managed on behalf of the Plan.

The Investment Manager must provide the Board with its statement of proxy voting guidelines and must adhere to such guidelines, unless inconsistent with applicable law or agreement with the Board to the contrary.

All proxies must be voted unless clearly prudent not to do so. Proxies should be vigorously voted with the interest of preserving or enhancing the security's value i.e., maximizing shareholder value.

## Exhibit A

### MANAGER SPECIFIC GUIDELINES

### SECTION X

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These Manager Specific Guidelines are an exhibit to the City of Rockville Pension Plan “**Statement of Overall Investment Objectives and Policy.**”

**Manager:** Principal Global Investors  
**Mandate:** Large Cap Core Equity  
**Index Benchmark:** S&P 500 Index  
**Universe:** Large Cap Core Equity

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#### **Modification of Restrictions:**

Certain assets of the Pension Fund will be invested in the Principal Global Investors Large Cap S&P 500 Index Separate Account – Z, consistent with any limitations, restrictions or modifications as outlined in the Fund Documents, Investment Management Agreement and Investment Guidelines (collectively the “Agreement”).

## Exhibit A

### MANAGER SPECIFIC GUIDELINES

### SECTION X

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These Manager Specific Guidelines are an exhibit to the City of Rockville Pension Plan “**Statement of Overall Investment Objectives and Policy.**”

**Manager:** State Street Asset Management  
**Mandate:** Small Cap Core Equity  
**Index Benchmark:** Russell 2000 Index  
**Universe:** Small Cap Core Equity

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#### **Modification of Restrictions:**

Certain assets of the Pension Fund will be invested in the State Street small cap equity fund, consistent with any limitations, restrictions or modifications as outlined in the Fund Documents, Investment Management Agreement and Investment Guidelines (collectively the “Agreement”).



## Exhibit A

### MANAGER SPECIFIC GUIDELINES

### SECTION X

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These Manager Specific Guidelines are an exhibit to the City of Rockville Pension Plan “**Statement of Overall Investment Objectives and Policy.**”

**Manager:** Principal Global Investors  
**Mandate:** International Equity  
**Index Benchmark:** MSCI ACWI ex U.S. Index  
**Universe:** International Core Equity

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#### **Modification of Restrictions:**

Certain assets of the Pension Fund will be invested in the Principal Global Investors Diversified International Separate Account – Z, consistent with any limitations, restrictions or modifications as outlined in the Fund Documents, Investment Management Agreement and Investment Guidelines (collectively the “Agreement”).

**Exhibit A**

**MANAGER SPECIFIC GUIDELINES**

**SECTION X**

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## Exhibit A

### MANAGER SPECIFIC GUIDELINES

### SECTION X

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These Manager Specific Guidelines are an exhibit to the City of Rockville Pension Plan “**Statement of Overall Investment Objectives and Policy.**”

**Manager:** BlackRock  
**Mandate:** U.S. Core Fixed Income Index  
**Index Benchmark:** Bloomberg U.S. Aggregate Index  
**Universe:** Core Fixed Income

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#### **Modification of Restrictions:**

Certain assets of the Pension Fund will be invested in the BlackRock Debt Index Fund, consistent with any limitations, restrictions or modifications as outlined in the Fund Documents, Investment Management Agreement and Investment Guidelines (collectively the “Agreement”).

## Exhibit A

### MANAGER SPECIFIC GUIDELINES

### SECTION X

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These Manager Specific Guidelines are an exhibit to the City of Rockville Pension Plan “**Statement of Overall Investment Objectives and Policy.**”

<b>Manager:</b>	<b>Principal Diversified Real Assets Fund</b>
<b>Mandate:</b>	Real Assets
<b>Index Benchmark:</b>	Diversified Real Asset Strategic Index (15% Bloomberg U.S. Treasury TIPS Index, 30% S&P Global Infrastructure Index, 15% S&P Global Natural Resources Index, 15% Bloomberg Commodity Index, and 25% FTSE EPRA/NAREIT)
<b>Universe:</b>	Global Real Assets

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Certain assets of the Pension Fund will be invested in the Principal Diversified Real Assets Fund, consistent with any limitations, restrictions or modifications as outlined in the Fund Documents, Investment Management Agreement and Investment Guidelines (collectively the “Agreement”).

## Exhibit A

### MANAGER SPECIFIC GUIDELINES

### SECTION X

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These Manager Specific Guidelines are an exhibit to the City of Rockville Pension Plan “**Statement of Overall Investment Objectives and Policy.**”

**Manager:** Prudential Real Estate Investors

**Mandate:** Real Estate

**Index Benchmark:** NCREIF ODCE Index

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#### **Modification of Restrictions:**

Certain assets of the Pension Fund will be invested in the Prudential Real Estate Investors PRISA Fund, consistent with any limitations, restrictions or modifications as outlined in the Fund Documents, Investment Management Agreement and Investment Guidelines (collectively the “Agreement”).

## Exhibit A

### MANAGER SPECIFIC GUIDELINES

### SECTION X

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These Manager Specific Guidelines are an exhibit to the City of Rockville Pension Plan “**Statement of Overall Investment Objectives and Policy.**”

**Manager:** Invesco  
**Mandate:** Global Tactical Asset Allocation (GTAA)  
**Index Benchmark:** 90-Day Treasury Bill  
60% MSCI World / 40% Barclays Aggregate Bond Index  
**Universe:** Global Balanced/TAA Managers

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#### **Modification of Restrictions:**

Certain assets of the Pension Fund will be invested in the Invesco Balanced Risk Allocation Fund, consistent with any limitations, restrictions or modifications as outlined in the Fund Documents, Investment Management Agreement and Investment Guidelines (collectively the “Agreement”).

## ACCEPTANCE AND ADOPTION ATTESTATION

The Retirement Board of the City of Rockville's Pension Plan hereby adopts this Statement of Investment Objectives and Policies (Policy).

IN WITNESS WHEREOF this document has been approved by the Retirement Board members on November 14, 2025.

11-14-2025  
Date

11-14-2025  
Date


11-14-2025  
Date

11/14/2025  
Date

11/14/2025  
Date

11/14/2025  
Date

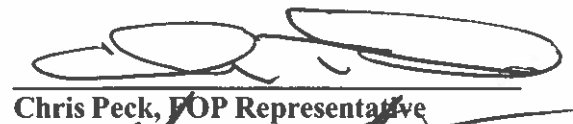
11-14-2025  
Date

  
Mike Walsh, Resident Chairperson

  
Barry Jackson, Councilmember

  
Jeff Mihelich, City Manager

  
Paula Perez, AAME Representative

  
Chris Peck, FOP Representative

  
Greg Satterfield, AFSCME Representative

  
Darryl Parrish, Resident