



THRIFT AND SAVINGS PLAN

Statement of Investment Policy

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This Statement of Investment Policy supersedes all other previous policy documents.

TABLE OF CONTENTS

	Page
I. INTRODUCTION	2
II. OBJECTIVES OF THE PLAN	3
III. INVESTMENT CATEGORIES	4
IV. INVESTMENT CATEGORY, OBJECTIVES AND PERFORMANCE STANDARDS	6
V. ROLES AND RESPONSIBILITIES	12
VI. REPORTING AND MONITORING PROCEDURES	15
VII. INVESTMENT OPTION EVALUATION	16
VIII. TERMINATION OF AN INVESTMENT OPTION	17
IX. ACCEPTANCE AND ADOPTION ATTESTATION	18

City of Rockville Thrift and SAVINGS Plans

Statement of Investment Policy

I. Introduction

The City of Rockville sponsors a Defined Contribution Plan (THRIFT) and an IRC Code 457 Deferred Compensation supplementary savings plan (SAVINGS) ("Plans") to provide eligible participants additional opportunities for saving for retirement. Eligible participants in the THRIFT plan must make a 1%-5% irrevocable election to have pre-tax contributions made for which the City matches the contributions by 50%. City matching contributions vest with participants after 36 months. Participation in the SAVINGS plan is voluntary and contributions are made with pre-tax employee payroll deductions. A post-tax Roth option is also available in the SAVINGS plan.

This Statement sets forth objectives and guidelines applicable to both Plans' assets as administered by the Board under section XVI, THRIFT PLAN, of the Rockville Employees Retirement System ROCKERS Pension Plan, and the City's adopted 457 Deferred Compensation Plan. The purpose of the Statement is to provide a framework for the management of the investment programs of the THRIFT and SAVINGS Plans. The statement sets forth the investment objectives and guidelines applicable to Plan investments, and administration thereof.

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 Plans circumstances and with the overall investment and economic environments.

City of Rockville Thrift and SAVINGS Plans

Statement of Investment Policy

II. Objectives of the Plan

The Plans are long-term retirement savings vehicles and are intended as a source of retirement income for eligible participants. The investment options available from the Plans cover a broad range of investment risk and reward appropriate for these kinds of retirement savings programs. Participants bear the risk and reap the rewards of investment returns that result from the investment options they select.

This Statement of Investment Policy serves the following purposes:

- To ensure that a broad range of investment options are offered to the Plans' participants;
- To establish an investment program that will allow Plans' participants the opportunity to structure an investment strategy that meets their individual return objectives and risk tolerances;
- To define the investment categories offered by the Plans;
- To establish investment objectives and guidelines for each investment category offered within the Plans;
- To establish benchmarks and performance standards for each investment category and to evaluate each option's performance against appropriate benchmarks and standards;
- To identify specific fund options made available for each investment category;
- To establish a procedure for reporting and monitoring of the various funds;
- To define the procedures for investment fund evaluation and formal fund review;
- To set guidelines and procedures for withdrawal of an investment option which, in the Board's opinion, does not, or will not, fulfill the Plans' objectives for which it was selected and for replacement of the option with an appropriate substitute;
- To communicate and educate participants on the performance and characteristics of the investment choices available to them.

City of Rockville Thrift and SAVINGS Plans

Statement of Investment Policy

III. Investment Categories

Consistent with the Plans objectives, the Plans provide a wide range of investment categories. These are broad categories available to the Board and not every category will have an investment selection. The Board has discretion over how many individual funds will be available for participants within each investment category:

CATEGORY
Stable Value
Diversified Real Asset
Fixed Income Core
Large Cap Value Equity
Large Cap Blend Equity (Passive/Index)
Large Cap Growth Equity
Mid Cap Blend Equity (Passive/Index)
Small-Mid Cap Blend Equity
Small Cap Equity
Small Cap Equity (Passive/Index)
International Equity
International Equity (Passive/Index)
Real Estate Investment Trust Securities (REITS)
Lifecycle/Target Date

The above categories allow a participant to construct an investment program ranging from conservative to aggressive.

Each Category will have its performance results measured against the applicable performance standards described herein for that investment category.

If the Board determines that an investment option no longer meets the performance criteria, it may replace or freeze the option to new contributions. If the Board elects to replace a fund, a suitable alternative option pursuant to the investment fund evaluation procedure outlined herein will be selected.

City of Rockville Thrift and SAVINGS Plans

Statement of Investment Policy

From time-to-time, the Board, at its discretion, may add or replace investment options/categories to the current options. At such time, the Statement of Investment Policy will be modified to include these additions.

The Board will pay particular attention to categories with the same risk profile to avoid duplication. The table below shows the current investment options within each investment category available to participants.

FUND	INVESTMENT CATEGORY
Lincoln Stable Value	Stable Value
Vanguard Total Bond Index Admiral	Fixed Income Core -Passive/Index
Principal Diversified Real Asset R6	Diversified Real Asset - Active
T. Rowe Price Equity Income I	Large Cap Value Equity - Active
Vanguard S&P 500 Index Admiral	Large Cap Blend Equity – Passive/Index
Fidelity Contrafund	Large Cap Growth Equity - Active
Vanguard Midcap Index Admiral	Mid Cap Blend Equity – Passive/Index
JPMorgan SMID Cap Equity	Small-Mid Cap Blend Equity - Active
Vanguard Small Cap Index Admiral	Small Cap Blend Equity – Passive/Index
Boston Trust Walden Small Cap I	Small Cap Blend Equity - Active
Harbor International Instl	International Equity - Active
Vanguard Total International Stock Index Admiral	International Equity – Passive/Index
Nuveen Real Estate Securities R6	Real Estate Investment Trust Securities (REITS) -
American Funds Target Date Retire Funds	Lifecycle/Target Date - Active

City of Rockville Thrift and SAVINGS Plans

Statement of Investment Policy

IV. Investment Category Objectives and Performance Standards

Stable Value

Objective

The objective of this fund option is to provide principal preservation, benefit responsiveness, liquidity, and current income at levels that typically are higher than those provided by money market funds over an interest rate cycle. The book value accounting feature of most Stable Value Fund investments is expected to produce relatively stable annual return on fund assets with little to no fluctuation in account values.

Performance Standards

- To provide a competitive rate of interest relative to the 3-Month U.S. Treasury Bill + 1%.

Diversified Real Asset

Objective

The objective of this investment category is to seek a long-term total return in excess of inflation. This investment category allocates its assets among the following general investment categories: inflation-indexed bonds, securities of real estate companies, commodity index-linked notes, fixed-income securities, securities of natural resource companies, master limited partnerships (MLPs), publicly-listed infrastructure companies, floating rate debt, securities of global agriculture companies, and securities of global timber companies.

Performance Standards (Net of Fees)

- To exceed the return of the Principal 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 Developed Markets Index) over a market cycle, or generally a period of 3 to 5 years.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with the Principal Diversified Real Asset Strategic Index.

Fixed Income Core (Passive)

Objective

The objective of this investment category is to invest in income-producing, investment grade fixed income securities, consistent with the Bloomberg U.S. Aggregate Bond Index. Investment returns are expected to be derived primarily from current income.

City of Rockville Thrift and SAVINGS Plans

Statement of Investment Policy

Performance Standards (Net of fees)

- To approximate the return of the Bloomberg U.S. Aggregate Bond Index over a full market cycle, or generally a period of 3 to 5 years.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the Bloomberg U.S. Aggregate Bond Index.

Large Cap Value Equity

Objective

The objective of this investment category is to invest primarily in the common stock of large capitalization domestic companies considered by the fund manager to be undervalued relative to the market. Investment returns are expected to be derived primarily from capital appreciation and, to a lesser degree, dividend income.

Performance Standards (Net of Fees)

- To exceed the return of the Russell 1000 Value Index over a full market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the large cap value equity fund universe over a full market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the Russell 1000 Value Index.

City of Rockville Thrift and SAVINGS Plans

Statement of Investment Policy

Large Cap Blend Equity (passive)

Objective

The objective of this investment category is to track the performance of the Standard & Poor's 500 Index by investing in common stock of the large capitalization domestic companies comprising the Index or by investing in a representative sample of the stocks in the Index. The S&P 500 Index is an equity composite of the 500 largest companies in the United States based on market capitalization. The fund manager targets to match the index rather than attempt to outperform the index. Investment returns are expected to be derived primarily from capital appreciation and, to a lesser degree, dividend income.

Performance Standards (Net of Fees)

- To approximate the performance of the S&P 500 Index over a full market cycle, or generally a period of 3 to 5 years.

Large Cap Growth Equity

Objective

The objective of this investment category is to invest primarily in the common stock of large capitalization domestic companies considered by the fund manager to have above average potential for capital appreciation. Investment returns are expected to be derived primarily from capital appreciation.

Performance Standards (Net of Fees)

- To exceed the return of the S&P 500 Index over a full market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the large cap growth equity fund universe over a full market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the S&P 500 Index.

Mid Cap Blend Equity (Passive)

Objective

The objective of this investment category is to track the performance of the Vanguard Mid Cap Policy Index (S&P MidCap 400 Index through May 16, 2003; MSCI US Mid Cap 450 Index through January 30, 2013; CRSP US Mid Cap Index thereafter) by investing in common stock of the mid capitalization domestic companies comprising the Index. The fund manager targets to match the index rather than attempt to outperform the index. Investment returns are expected to be derived primarily from capital appreciation and, to a lesser degree, dividend income.

City of Rockville Thrift and SAVINGS Plans

Statement of Investment Policy

Performance Standards (Net of fees)

To approximate the performance of the Vanguard Mid Cap Policy Index over a full market cycle, or generally a period of 3 to 5 years.

Small-Mid Cap Blend Equity

Objective

The objective of this investment category is to invest in the common stock of small-medium capitalization domestic companies considered by the fund manager to have above average potential for capital appreciation. Investment returns are expected to be derived primarily from capital appreciation and dividend income.

Performance Standards (Net of Fees)

- To exceed the return of the Russell 2500 Index over a market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the mid cap blend equity fund universe over a full market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the Russell 2500 Index.

Small Cap Blend Equity

Objective

The objective of this investment category is to invest primarily in the common stock of small capitalization domestic companies considered by the fund manager to be undervalued relative to the market and/or companies with strong future earnings growth prospects. Investment returns are expected to be derived primarily from capital appreciation and, to a lesser extent, dividend income.

Performance Standards (Net of fees)

- To exceed the return of the Russell 2000 Index over a market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the small cap blend equity fund universe over a market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the Russell 2000 Index.

City of Rockville Thrift and SAVINGS Plans

Statement of Investment Policy

Small Cap Blend Equity (Passive)

Objective

The objective of this investment category is to track the performance of the Vanguard Small Cap Policy Index (Russell 2000 Index through June 1, 2003; MSCI US Small Cap 1750 Index through February 1, 2013; CRSP US Small Cap Index thereafter) by investing in common stock of the small capitalization domestic companies comprising the Index or by investing in a representative sample of the stocks in the Index. The fund manager targets to match the index rather than attempt to outperform the index. Investment returns are expected to be derived primarily from capital appreciation and, to a lesser degree, dividend income.

Performance Standards (Net of fees)

- To approximate the performance of the Vanguard Small Cap Policy Index over a full market cycle, or generally a period of 3 to 5 years.

International Equity

Objective

The objective of this investment category is to invest primarily in the common stock of companies located outside the United States. Investment returns are expected to be derived primarily from capital appreciation.

Performance Standards (Net of fees)

- To exceed the return of the MSCI All Country World ex U.S. (net of dividends) Index over a market cycle, or generally a period of 3 to 5 years.
- To exceed the median return of the international equity fund universe over a market cycle.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the MSCI All Country World ex U.S. (net of dividends) Index.

International Equity (Passive)

Objective

The objective of this investment category is to track performance of the Vanguard International Policy Index (MSCI AC World ex USA IMI (Net) through June 1, 2013; and FTSE Global All Cap ex US Index thereafter) by investing primarily in the common stock of companies located outside the United States. Investment returns are expected to be derived primarily from capital appreciation.

Performance Standards (Net of fees)

To approximate the performance of the Vanguard International Policy Index over a market cycle, or generally a period of 3 to 5 years.

City of Rockville Thrift and SAVINGS Plans

Statement of Investment Policy

Real Estate Investment Trust Securities

Objective

The objective of this investment category is to invest primarily in income-producing common stocks of publicly traded companies engaged in the real estate industry.

Performance Standards (Net of fees)

- To exceed the return of a relative MSCI U.S. REIT Index over a market cycle, or generally a period of 3 to 5 years.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the MSCI U.S. REIT Index.

Lifecycle/Target Date

Objective

The objective of this investment category is to invest in diversified assets classes that are systematically rebalanced during the various market cycles or stages of an investor's lifetime. A targeted "maturity date", which is normally equivalent to a participants retirement date, is selected, and the allocation to the various asset classes is automatically reallocated over time to a more conservative allocation by a predetermined "glide path".

Performance Standards (Net of fees)

Performance standards aren't cited as it's the underlying investment options that have the performance standards.

City of Rockville Thrift and SAVINGS Plans

Statement of Investment Policy

V. Roles and Responsibilities

The Board and support staff with the assistance of the consultant are responsible for administering provisions of the Plans and monitoring the performance of individual investment fund assets of the Plans. The standard of care that will be applied to the Board and support staff is the prudent person standard applied in the context of providing investment fund options for selection by Plans participants for inclusion in their individual Plans portfolio. The Plans' consultants will be held to the prudent expert standard of care, with all Board Members, support staff, and consultants being fiduciaries of the Plans.

The participants in these plans have different investment objectives including current income, capital preservation or capital appreciation, as well as different time horizons and risk tolerances. To meet these varying investment needs the Board will provide a diversified slate of investment options, each of which has a different set of risk and return characteristics as disclosed in their fund prospectus or other offering documents.

A. The Board's responsibilities include:

- Deciding the number and type of investment fund choice options;
- Offering a reasonable range of investment fund choices consistent with investment category objectives and performance standards;
- The selection of Investment Categories;
- The selection of the Investment Consultant;
- Other responsibilities as per Article VI Section 15-87 of the City Code;
- Communicating with the participants about the risk and return of different investment choices;
- Selecting or removing investment managers/funds, trustees/custodians, record keepers, investment consultants, and other consultants consistent with investment category objectives and performance standards;

When selecting investment options, the Board may consider such factors as:

1. The size, company staffing and organization, history, reputation, regulatory and legal compliance of the investment firm that manages each investment option
2. The experience of the individual portfolio manager
3. The investment objectives and structure, sector, and security diversification
4. Adherence to investment strategy/style
5. The investment's risk and return measured against appropriate benchmarks and/or peer groups
6. The avoidance of duplication among investment options
7. The cost to participants, including any purchase or exchange fees, as well as its annual operating expenses
8. The ability to assist participants in meeting their individual investment goals when evaluated with other available investment options

City of Rockville Thrift and SAVINGS Plans

Statement of Investment Policy

The Board selects investment options that:

1. Cover a risk and return spectrum of appropriate investment classes
2. Are distinguishable and have distinct risk and return characteristics
3. Are well diversified and professionally managed
4. Charge fees that are reasonable for the asset class and investment style
5. Maximizes return within reasonable and prudent levels of risk

B. Selection of Investment Options – Participant

Participants may choose one or more investment options depending on individual investment objectives.

Participants may change investment elections at any time, though there may be restrictions for daily or excess changes. A participant's direction of investment remains in effect until otherwise changed by the participant. If a participant fails to designate an investment option, the participant's account balance and future contributions will be invested in the default option, which is currently the lifecycle fund (also known as a target date fund) closest to the participant's expected retirement date, based on the participants' date of birth.

Participants are advised that they bear all investment risk and earnings on their participant account balances as determined solely by their investment elections. No person who is a fiduciary shall be liable for any loss resulting from the participant's exercise of control over their plan account.

The Board does not currently offer Self Directed Brokerage Accounts. The Board does not currently offer an Annuity distribution option.

C. Third Party Administrator

The Board through a competitive process will select a Third Party Administrator (TPA) to perform functions related to the administration of the plans and recordkeeping of participant investment accounts, including enrollment, exchanges, transfers, distributions, communication, QDRO administration, performance and fee information, and periodic individual statements and benefit payments.

The Board will conduct a review annually, or as necessary, of the TPA, to evaluate the expenses, the revue sharing arrangements in place, and to determine if the TPA is meeting the administrative requirements as described above.

The Board's current TPA is Lincoln Financial.

City of Rockville Thrift and SAVINGS Plans

Statement of Investment Policy

D. Investment Education Resources

The Board will make investment counseling services available to all plan participants to provide advice on investment options available. These services will be provided by the TPA. Participants can access Retirement Counselors for individual advice utilizing the TPA web site. Participants are surveyed after meeting with a Counselor to evaluate the satisfaction level with the counseling session. In addition to these individual counseling sessions periodically group seminars will be conducted by the TPA to facilitate participant's understanding of the plans' offerings. TPA will provide investment education that will include materials such as: quarterly statements and newsletters, onsite seminars, one-on-one counseling sessions, and internet retirement services. The materials provided are to ensure that participants receive information on risk factors, fee structures and other issues related to investments. The materials will be available to participants through the TPA website or on request through the TPA call center.

E. Consultant

1. Make recommendations to the Board, in collaboration with Staff, regarding investment policies;
2. Acknowledge and agree to accept fiduciary responsibility in providing services under this policy to the Board;
3. Assist the Board in the selection of Investment Categories and qualified fund managers
4. Assist the Board in the monitoring of the performance of each fund manager including monitoring personnel changes, ownership, and their investment process;
5. Provide quarterly performance reports to facilitate the monitoring of the funds, the investment categories, performance statistics, relevant peer performance indices, and peer universe as defined;

City of Rockville Thrift and SAVINGS Plans

Statement of Investment Policy

VI. Reporting and Monitoring Procedures

The Board, with assistance from its investment consultant, will review the Plan's investment funds at least quarterly , including review of the following:

- Current trends and developments in the capital markets and investment management community (market review);
- The current level of diversification provided by the investment categories and options offered by the Plan under the core investment fund line-up;
- Changes in the investment management staff related to each investment option (organizational review);
- The continued consistency between the stated investment guidelines of each investment option and Plan policies (review of the guidelines of each investment option);
- The compliance of each investment option with stated investment guidelines, including style drift analysis;
- The compliance of each investment option's risk and return characteristics with the expectations stated herein (performance review);
- Any regulatory or legal compliance in regards to any of the funds.

City of Rockville Thrift and SAVINGS Plans

Statement of Investment Policy

VII. Investment Option Evaluation

The Board, at its discretion, may conduct an informal review and evaluation of an investment option at any time.

A. Formal Investment Review

The Board may place an investment option under formal fund review, terminate an investment option, or “freeze” an investment option to new contributions for any of the following reasons:

1. The investment option has not met the performance standards under the fund guidelines for the investment category;
2. The investment option has changed investment manager, or such change appears imminent;
3. The investment option has had a significant change in ownership or control;
4. The investment option has changed investment focus or has experienced style drift, departing from the investment objectives or parameters in its prospectus or “fact sheet”;
5. The investment option is under investigation by the SEC or has violated a SEC rule or regulation.
6. The investment option has changed its fee structure;
7. For any reason, the Board is uncertain about whether the investment option continues to meet the Plan’s needs.

When an investment option has been placed under formal review, the Board with assistance from its investment consultant shall conduct an evaluation of the investment option, its operations, and its performance. During the review, the Board may close the investment option to new enrollees. Upon completion of the evaluation, the Board may continue the investment option under formal review status, remove the investment option from formal review, or terminate the investment option.

B. Fund Watch List Procedure

Once the formal review is concluded, the fund may be placed on the watch list if any of the following criteria has been met.

- The Fund underperformed the respective benchmark for the 3-Year and 5-Year annualized periods
- The Fund has placed below the respective universe median for the 3-Year and 5-Year periods
- Departures of the key investment professionals
- Changes to the Funds’ process and philosophy

In addition to the criteria detailed above, the Board retains the authority to place any Fund on the watch list at their discretion.

City of Rockville Thrift and SAVINGS Plans

Statement of Investment Policy

VIII. Termination of an Investment Option

1. When the Board terminates a fund, the Board will promptly notify all Plan participants that the Board has terminated the fund as an investment option under the Plan.
2. With regard to the terminated option, the Board has the option to:
 - a. Transfer, or “map”, the monies in the terminated fund to another fund of similar risk and return characteristics. The terminated fund is then totally removed from the Plan.
 - b. Close the terminated fund to future contributions, however, give the participants the option to keep, or remove, the monies in the terminated fund.
 - c. Sunset Provision: Close the fund to future contributions and “sunset” (close) the fund after six months and map assets to the new option.

City of Rockville Thrift and SAVINGS Plans

Statement of Investment Policy

IX. Acceptance and Adoption Attestation

The Retirement Board of the City of Rockville's THRIFT and SAVINGS Plans, hereby adopts this Statement of Investment Policy. All modifications to these guidelines shall be in writing and signed by the Board and communicated to the consultant before they become binding.

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

11-14-2025
Date

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Mike Walsh, Resident, Chairperson


Barry Jackson, Councilmember


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