

Virginia Port Authority

Virginia Port Authority 401(a) Matching Savings Plan Virginia Port Authority 457(b) Deferred Compensation Plan Investment Policy Statement

I. The Plans

Virginia Port Authority (Plans Sponsor) sponsors the Virginia Port Authority 401(a) Matching Savings Plan and the Virginia Port Authority 457(b) Deferred Compensation Plan (the Plans) for the benefit of its eligible employees. The Plans are intended to provide eligible employees with retirement savings through a combination of employee contributions to individual participant accounts and the earnings thereon. In addition the employer may also contribute to the Plans through match, profit sharing and any other contributions permitted under the Plans.

The Plans' participants and beneficiaries are expected to have different investment objectives, time horizons, and risk tolerances. To meet these varying investment needs, participants and beneficiaries will be able to direct the investment of their account balances among a range of investment options to construct diversified portfolios that reasonably span the risk/return spectrum. Participants and beneficiaries alone bear the risk of investment results from the options and asset mixes that they select.

II. The Purpose of the Investment Policy Statement

This Investment Policy Statement (IPS) is intended to assist the Plans' fiduciaries in making decisions regarding investment options in a prudent manner. It outlines the underlying philosophies and processes for selecting, monitoring and evaluating the investment options, and investment managers used by the Plans. Specifically, this IPS:

- Defines the Plans' investment objectives.
- Defines the roles of those responsible for the Plans' investments.
- Describes the criteria and procedures for selecting investment options and investment managers.
- Defines the minimum required diversification among investment options.
- Establishes investment procedures, measurement standards, and monitoring procedures.
- Describes ways to address investment options and investment managers that fail to satisfy established objectives.

This IPS will be reviewed periodically by Investment Committee, and, if appropriate, can be amended to reflect changes in the capital markets, plan participant objectives, or any other factors relevant to the Plans.

III. Investment Objectives

The Plans' investment options will be selected to:

- Set forth those elements of sound fiduciary management of participant individual account asset management as set forth under ERISA Section 404(c). Note: because the Plans are not subject to ERISA, the actual provisions of ERISA section 404(c) do not apply, but is being incorporated by reference as an example of sound fiduciary principles that, in application to oversight, provide Plans participants a sound structure under which they may exercise investment decisions within their individual accounts.
- Enable participants to construct portfolios consistent with their time horizon and tolerance for risk.
- Achieve a competitive rate of return within reasonable and prudent levels of risk.
- Provide returns comparable to returns for similar investment options.
- Provide exposure to a wide range of investment opportunities in various asset classes.
- Pay only reasonable administrative and management costs.

IV. Roles and Responsibilities

Those responsible for the management and administration of the Plans' investments include, but are not limited to:

- Virginia Port Authority, which is responsible for selecting the trustee(s) and/or custodian and appointing the members of the Investment Committee. The Investment Committee is responsible for:
 - Establishing and maintaining the IPS.
 - Selecting the Recordkeeper and/or investment advisory consultants.
 - Selecting investment options.
 - Periodically evaluating the Plans' investment performance and making investment changes as necessary.
 - Periodically reviewing and evaluating the reasonableness of the fees and expenses charged to the Plans for the management and administration of the Plans' investment options, and the manner in which those expenses are allocated to participants.
 - Creating and maintaining written records of all decisions relating to the selection and ongoing monitoring of designated investment options under the Plans and the determination of the appropriate level of related fees and expenses.
- The Plans' trustee(s) and/or custodian are responsible for holding and investing Plan assets in accordance with the terms of the trust and/or custodial agreement(s).
- Compass Financial Partners, which is an investment advisor to the Investment Committee and a fiduciary under ERISA Section 3(21) will assist the Investment Committee with the overall investment and fiduciary process.
- The investment managers are responsible for making reasonable investment decisions consistent with the investment objectives and reporting investment results on a regular basis.
- The record keeper is responsible for maintaining and updating individual account balances as well as information regarding Plans contributions, withdrawals and distributions.

The above is a summary and is not intended to be a complete list of roles and responsibilities.

V. Selection of Investment Options

The selection of investment options offered under the Plans is among the Investment Committee's most important responsibilities. Set forth below are the considerations and guidelines employed in fulfilling this fiduciary responsibility.

Investment Selection – The Plan Sponsor intends to provide a range of investment options that will span the risk/return spectrum. Major asset classes to be offered may include (but are not limited to):

- Stable Value/Money Market
- Fixed Income / Bond
- Large Cap Equity
- International Equity
- Small Cap Equity
- Target Date / Balanced / Risk Based or Life-Strategy Funds

After determining the asset classes to be used, the Investment Committee must evaluate and choose the specific investment options. Each investment option must meet certain minimum criteria:

- It should be provided by a bank, insurance company, or investment management company or an investment adviser under the Registered Investment Advisers Act of 1940.
- It should be operating with no known serious breaches of fiduciary duty that the Investment Committee deems to be detrimental to the Plans' participants.
- It should provide detailed additional information on the history of the firm or option, its investment philosophy and approach, and its principals, clients, locations, fee schedules, and other relevant information.

Assuming the minimum criteria are met, the particular investment under consideration should have a favorable overall Peer Group ranking using the following criteria:

- Performance and risk adjusted return measures should be consistent with the return for an appropriate, style-specific benchmark or peer group.
- It should demonstrate adherence to the stated investment objective.
- Fees should be competitive compared to similar investments.
- The investment option should be able to provide all performance, holdings, and other relevant information in a timely fashion, with specified frequency.

Special Considerations

Target Date Funds – In addition to the investment selection criteria above, the Investment Committee shall also consider the following, when selecting or monitoring Target Date Fund investment options:

- Objectives, Strategies and Risks
- Manager Tenure and Quality
- Fees and Expenses
- Glidepath

The above are in accordance with the Department of Labor's "Target Date Retirement Funds - Tips for Plans Fiduciaries," published February 2013.

Qualified Default Investment Alternative (QDIA) – The Plans' default investment will be one of the following options, approved by the Department of Labor:

- Target Date Fund - an option that considers an investor's age or retirement date and gradually adjusts the option's risk level over time.
- Balanced Fund – an option that considers a group's demographics or characteristics.
- Managed Account – a service that considers an investor's age or retirement date and allocates the investor's contributions amongst funds already in the Plans.

VI. Investment Monitoring and Reporting

The on-going monitoring of investments must be a regular and disciplined process. It is the mechanism for revisiting the investment option selection process and confirming that the criteria originally satisfied remain so and that an investment option continues to be a prudent offering. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an on-going process.

Monitoring occurs on a frequency to be determined by the Investment Committee in its sole discretion, typically including at least an annual review, and the Investment Committee will use the same criteria that were the basis of the investment selection decision as well as any other factors the Investment Committee believes are appropriate to the review. Further, unusual, notable or extraordinary events may be reviewed by the Investment Committee. Examples of such events include portfolio manager or team departure, violation of investment guidelines, material litigation against the firm, or material changes in firm ownership structure or announcements thereof.

If overall satisfaction with the investment option is acceptable, no further action is required. If areas of dissatisfaction exist, and over a reasonable period, the manager is unable to resolve the issue, termination may result.

VII. Investment Option Termination

An investment option should be terminated when the Investment Committee has lost confidence in the option's ability to:

- Achieve performance and risk objectives.
- Comply with investment guidelines.
- Comply with reporting requirements.
- Maintain a stable organization and retain key relevant investment professionals.

There are no hard and fast rules for option termination; however, if the investment option has consistently failed to adhere to one or more of the above conditions, it is reasonable to presume a lack of adherence going forward. Failure to remedy the circumstances of unsatisfactory performance by the investment option, within a reasonable time, shall be grounds for termination.

Any recommendation to terminate an investment option will be treated on an individual basis and will not be made solely based on quantitative data. In addition to those above, other factors may include professional or client turnover, or material change to investment processes. Considerable subjective judgment must be exercised in the termination decision process. An investment option to be terminated may be removed using one of the following approaches:

- Remove and replace (map assets) with an alternative option.
- Freeze the assets managed by the terminated option and direct new assets to a replacement option.
- Phase out the option over a specific time period.
- Continue the option but add a competing option.
- Remove the option and do not provide a replacement option.

An investment option may also be added, limited, or replaced in any manner as the needs of the Plans participants change or for any other reason as determined by the Investment Committee.

Replacement of a terminated option would follow the criteria outlined in Part V, Selection of Investment Options.

VIII. Participant Education and Communication

The Investment Committee will inform the Plan Sponsor that they, as Plans administrator, must communicate to participants that they control their own investments; permit investment changes at least quarterly; and make effective educational materials available to participants to allow them to make informed decisions regarding their investments under the Plans, including materials that timely provide the required information regarding each investment alternative and Plans fees and expenses.

IX. Coordination with the Plan Document

Notwithstanding the foregoing, if any term or condition of this Investment Policy Statement conflicts with any term or condition in the Plans, the terms and conditions of the Plans shall control.

X. Miscellaneous

The Investment Committee retains the discretion to amend or terminate this Investment Policy Statement at any time. The Investment Committee also retains the discretion to take any action in connection with the Plans' investment options regardless of whether such action is consistent with the policy provided such action is consistent with applicable law. The Investment Committee appointed for purposes of this Investment Policy Statement shall have the authority to act on behalf of the Plans Sponsor, including but not limited to, authority to establish its procedures at any time and from time to time.

IN WITNESS WHEREOF, this Investment Policy Statement has been approved and adopted by the members of the Retirement Plans Committee as of this ____ day of _____ 20__.

XI. Fiduciary Signatures

Signature: _____ Date: _____

Print Name: _____

*This executed agreement supersedes all previously executed agreements