Virginia Port Authority

Virginia Port Authority Pension Plan
Investment Policy Statement

I. The Plan

Virginia Port Authority (Plan Sponsor) sponsors the Virginia Port Authority Pension Plan (Plan) for the purpose of providing post-retirement benefits to covered employees of the Plan Sponsor. The Plan Sponsor has appointed the Investment Committee (Committee) to manage the administration of the Plan and the investment of the assets held in Trust for the Plan.

II. The Purpose of the Investment Policy Statement

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

- Defines the Plan's investment objectives,
- Defines the roles of those responsible for the Plan's investments,
- Describes the process by which a targeted asset allocation for the plan is established,
- 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, and
- Describes ways to address investment options and investment managers that fail to satisfy established objectives.

This IPS will be reviewed periodically by the 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 Plan's investment portfolio will be managed to:

- Maintain the ability to pay all benefit and expense obligations when due.
- Maintain a reasonable cost associated with administering the Plan and managing the investments.
- Improve the funding status when the asset-to-liability ratio is below 100%, or, when the ratio exceeds 100%, to at least maintain the current funding status.
- Minimize the volatility of the sponsor's future plan contributions and/or financial statement expense.
- Meet the return objectives set forth by the Committee while managing plan assets in a risk-conscious fashion that is in line with the plan's time horizon, liquidity constraints, and risk tolerance.
- Generate pension income (for plans with a fund status in excess of 100 percent).
- Comply with all state and federal laws.

IV. Roles and Responsibilities

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

- Virginia Port Authority, which is responsible for appointing the members of the Committee.

- The Committee is responsible for:
  - Establishing and maintaining the IPS.
  - Selecting the custodian and/or investment advisory consultants.
  - Establishing an appropriate asset allocation designed to accomplish the plan's investment objectives.
  - Selecting investment options to implement above referenced asset allocation.
  - Periodically evaluating the Plan's investment performance and making investment changes as necessary.
  - Periodically reviewing and evaluating the reasonableness of the fees and expenses charged to the Plan for the management and administration of the Plan's investment options.
  - Creating and maintaining written records of all decisions relating to the selection and ongoing monitoring of designated investment options under the Plan.

- The Plan's 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) and providing periodic reporting on Plan performance.

- Compass Financial Partners, which is an investment advisor to the Committee and a fiduciary under ERISA Section 3(21) will assist the 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 above is a summary and is not intended to be a complete list of roles and responsibilities.

V. Establishing Targeted Asset Allocation

The Committee is responsible for establishing and maintaining a targeted asset allocation for the Plan and associated asset class ranges that appropriately balance return potential and risk. In considering risk for the Plan, the movement of the Plan's assets relative to the Plan's liability (future benefit payments) will be a key consideration, in addition to the volatility of the assets themselves.

The Committee and its investment advisor will utilize modern portfolio theory, current investment best practices, and an assessment of financial market conditions in determining the targeted asset allocation for the plan. While acknowledging that all of these factors can fluctuate over time, it is not the intent of the Committee to frequently adjust the targeted asset allocation. The current targeted asset allocation of the Plan will be maintained as Schedule A, and will be monitored and affirmed periodically by the Committee. Any changes to the targeted asset allocation for the Plan will be discussed and approved by the Committee prior to implementation.

The Committee may, if deemed appropriate, utilize a Liability-Driven Investment strategy. The Committee recognizes that the risk to the Plan's funded status is largely a function of the relative changes in valuation of assets and liabilities. Therefore, under this strategy the Committee prefers an approach to the management of fixed income assets that primarily focuses on risk relative to liabilities, rather than absolute market risk. This liability-driven approach will generally result in a fixed income portfolio duration that is commensurate with the typically duration of pension liabilities. This is not expected to affect the management of equity assets.

VI. Selection of Investment Options

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

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

- Large Cap Equity
- Small Cap Equity
- International Equity
- Alternatives, including real assets
- Fixed Income / Bond, including Cash Equivalents

After determining the asset classes to be used, the 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 Plan's 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 and/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.

VII. <u>Investment Monitoring and Reporting</u>

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 Committee in its sole discretion, typically including at least an annual review, and the Committee will use the same criteria that were the basis of the investment selection decision as well as any other factors the Committee believes are appropriate to the review. Further, unusual, notable or extraordinary events may be reviewed by the 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.

VIII. <u>Investment Option Termination</u>

An investment option should be terminated when the 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.

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

IX. <u>Coordination with the Plan Document</u>

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

X. Miscellaneous

The Committee retains the discretion to amend or terminate this Investment Policy Statement at any time. The Committee also retains the discretion to take any action in connection with the Plan's investment options regardless of whether such action is consistent with the policy provided such action is consistent with applicable law. The Committee appointed for purposes of this Investment Policy Statement shall have the authority to act on behalf of the Plan 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 14 day of November 2022.

Fiduciary Signatures

Signature: ____Date:___________

Print Name: ____

Signature: ____Date:___________

Print Name: ____

Signature: ____Date:___________

Print Name: ____

Signature: ____Date:___________

Print Name: ____

*This executed agreement supersedes all previously executed agreements

Virginia Port Authority
Virginia Port Authority Pension Plan
Schedule A: Targeted Asset Allocation

	Min	Target	Max
Equity	**45.00%**	**55.00%**	**65.00%**
Domestic Large Cap	*5.25%*	*20.25%*	*35.25%*
Domestic Small/Mid Cap	*1.00%*	*9.00%*	*17.00%*
International	*3.25%*	*15.75%*	*28.25%*
Alternative	*0.00%*	*10.00%*	*20.00%*
Fixed Income	**35.00%**	**45.00%**	**55.00%**
Cash/Short-Term	*0.00%*	*0.00%*	*16.00%*
Intermediate - Long-term	*35.00%*	*45.00%*	*55.00%*

Committee Reviewed/Affirmed on 11/4/22