

POST-EMPLOYMENT BENEFITS TRUST AGREEMENT

by and among

CITY OF SUNNYVALE  
as EMPLOYER,

U.S. BANK NATIONAL ASSOCIATION  
as TRUSTEE

and

PFM ASSET MANAGEMENT LLC  
as TRUST ADMINISTRATOR

Dated May 8, 2018

---

---

TABLE OF CONTENTS

	Page
<b>SECTION I. DEFINITIONS.....</b>	<b>2</b>
<b>SECTION II. EXHIBITS. ....</b>	<b>3</b>
<b>SECTION III. GENERAL TRUST PROVISIONS.....</b>	<b>3</b>
<b>SECTION IV. PAYMENTS FROM TRUST.....</b>	<b>8</b>
<b>SECTION V. INVESTMENTS. ....</b>	<b>9</b>
<b>SECTION VI. TRUST ADMINISTRATION.....</b>	<b>11</b>
<b>SECTION VII. TRUST ACCOUNTING. ....</b>	<b>14</b>
<b>SECTION VIII. STANDARD OF CARE AND INDEMNIFICATION.....</b>	<b>15</b>
<b>SECTION IX. RESIGNATION AND REMOVAL OF TRUST ADMINISTRATOR.....</b>	<b>16</b>
<b>SECTION X. RESIGNATION AND REMOVAL OF A TRUSTEE. ....</b>	<b>17</b>
<b>SECTION XI. AMENDMENT, MERGER, TRANSFER OR TERMINATION. ....</b>	<b>17</b>
<b>SECTION XII. ADVANCE OF FUNDS AND SECURITIES.....</b>	<b>18</b>
<b>SECTION XIII. MISCELLANEOUS. ....</b>	<b>19</b>

POST-EMPLOYMENT BENEFITS TRUST AGREEMENT

This Trust Agreement ("Agreement") is made on this 8<sup>th</sup> day of May, 2018, by and among City of Sunnyvale ("Employer"), U.S. Bank National Association ("Trustee"), and PFM Asset Management LLC ("Trust Administrator"). Unless otherwise indicated, capitalized terms used in this document are defined in Section I.

W I T N E S S E T H:

WHEREAS, the Employer wishes to establish a means to set aside moneys to fund the Employer's OPEB Obligations or Pension Pre-Funding Obligations, or both; and

WHEREAS, Employer and Trustee therefore wish to establish a Trust, which will be an entity separate from Employer, with the intent that (i) the income of the Trust will be exempt from federal and state income tax (under Internal Revenue Code Section 115 with respect to federal income tax), (ii) transfers to the Trust will not be taxable to Beneficiaries, and (iii) all assets of the Trust are and will be irrevocably dedicated to, and will be used for the exclusive purpose of, providing for payments of OPEB Obligations and Pension Pre-Funding Obligations and paying the reasonable expenses of administering the Trust, and will not be available to any creditors of Employer; and

WHEREAS, Trustee is willing to accept the Trust; and

WHEREAS, the Trust is authorized under California Government Code Sections 53201, 53206, 53216, 53216.5, 53622, and Section 5 of Article XIII B of the California Constitution; and

WHEREAS, the Trust is an entity separate from Employer for the exclusive benefit of the Beneficiaries and not of Employer; and

WHEREAS, the indicia of ownership of Trust assets will be held by Trustee at all times and the Trust assets will not be considered funds or assets of Employer for any purpose; and

WHEREAS, the Trust does not contravene Article XVI, Section 6 of the California Constitution by reason of the fact that the Trust is and will remain an entity different and separate from Employer; and

WHEREAS, Employer is a state or political subdivision or other entity the income of that is exempt from federal income tax under Internal Revenue Code Section 115; and

WHEREAS, Trustee is a national banking association and a corporate trustee, with all requisite powers and capabilities to act as Trustee and administer the Trust as set forth in this Agreement; and

WHEREAS, PFM Asset Management LLC is willing to serve as Trust Administrator of the Trust with the rights and duties of the Trust Administrator provided in this Agreement; and

WHEREAS, the Trust Administrator will have exclusive authority and responsibility for the management and investment of Trust assets in its sole judgment in accordance with this Agreement, without any requirement of consent by Employer or, except as expressly provided herein, notice to Employer.

NOW, THEREFORE, Employer hereby irrevocably establishes the Trust with Trustee to be held, administered, and distributed by Trustee as provided in this Agreement, and Trust Administrator, Employer, and Trustee agree as follows:

**Section I. Definitions.**

(a) "Account" means the account established under the Trust to reflect the Employer's interest in the Trust. See Section III(i).

(b) "Beneficiary" means a person who is entitled to post-employment benefits under the Employer's OPEB Plan or Pension Plan.

(c) "Benefit Administrator" means the persons or entities designated by the Employer to serve as Benefit Administrator. The Employer may at any time change the designation upon written notice to the Trustee.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Employer" means City of Sunnyvale.

(f) "Investment Policy Statement" means the separate statement of policy for investing the assets of the Trust, a copy of which is attached as Exhibit C to this Agreement.

(g) "Omnibus Account" is defined in Section III(j).

(h) "OPEB" means post-employment health and welfare benefits (other than pensions) provided by the Employer under the OPEB Plan to Beneficiaries, including medical, dental, vision, life insurance, long-term care and other similar benefits.

(i) "OPEB Account" is defined in Section III(j).

(j) "OPEB Obligation" means the Employer's obligation to provide OPEB under the Employer's OPEB Plan, including the direct costs of the OPEB and the expenses associated with providing the OPEB.

(k) "OPEB Plan" means the policies, collective bargaining agreement, or other arrangements under which a Beneficiary is entitled to receive OPEB.

(l) "Pension Account" is defined in Section III(j).

(m) "Pension Pre-Funding Obligation" means the Employer's obligation to contribute to a Qualified Trust and shall not, for example, mean the Employer's obligation to provide retirement benefits under a Pension Plan to the Beneficiaries.

(n) “Pension Plan” means one or more defined-benefit plans, each of which is (i) qualified under Section 401(a) of the Code, (ii) sponsored by the Employer in order to provide retirement benefits to Beneficiaries, including but not limited a stand-alone plan maintained solely by the Employer or a multiple-employer or multiemployer plan in which the Employer participates along with one or more other employers, and (iii) partly or wholly funded by the Employer’s contributions to a Qualified Trust.

(o) “Permitted Investments” means the investments permitted under the terms of the Investment Policy Statement.

(p) “Qualified Trust” means a trust which is (i) is separate and apart from the Trust, (ii) constitutes a qualified trust under Code Section 401(a), and (iii) funds retirement benefits provided under the Employer’s Pension Plan to the Beneficiaries.

(q) “Trust” means the Post-Employment Benefits Trust established by this Agreement.

(r) “Trust Administrator” means PFM Asset Management LLC or any successor thereof designated by the Employer in accordance with Section IX.

(s) “Trustee” means U.S. Bank National Association, or any successor trustee designated by the Employer in accordance with Section X.

## **Section II. Exhibits.**

The following Exhibits are attached hereto and by this reference incorporated herein and made a part of this Agreement.

(a) Exhibit A to this Agreement contains the investment advisory agreement between the Employer and Trust Administrator.

(b) Exhibit B to this Agreement is the Fee Schedule for Trustee.

(c) Exhibit C to this Agreement is a copy of the Investment Policy Statement delivered by Trust Administrator to Employer at the time of execution of this Agreement, which is satisfactory to Employer.

## **Section III. General Trust Provisions.**

(a) The Trust is irrevocable.

(b) The principal of the Trust, together with any earnings thereon, will be held by Trustee separate and apart from any assets of Employer. All Trust assets and all income thereon are irrevocably dedicated to, and will be used for the exclusive purpose of, making payments of, as applicable, OPEB Obligations, Pension Pre-Funding Obligations, or both, and for paying the reasonable expenses of administering the Trust. At no time may Trust assets be used for, or diverted to, any other purposes.

(c) Trustee has exclusive right, title and interest in and to the assets of the Trust. Neither Trust Administrator nor Employer nor any Benefit Administrator nor any entity associated with Trust Administrator, Employer or any Benefit Administrator will have any legal or equitable interest in the Trust or assets of the Trust.

(d) Assets held in the Trust are not subject to claims of creditors of Trust Administrator, any Benefit Administrator, Employer or the Plans.

(e) Beneficiaries will have no preferred claim, lien, or encumbrance of any kind on, or security interest in, or any beneficial interest in any particular assets of the Trust. Beneficiaries will be entitled to receive payments of assets of the Trust only when, as and if determined by the Benefit Administrator in accordance with this Agreement.

(f) Except to the extent allowed by law, the Trust is not subject to attachment or garnishment or other legal process by any creditor of any Beneficiary. No Beneficiary may alienate, anticipate, commute, pledge, encumber, or assign any Trust assets.

(g) In its sole discretion, Employer from time to time and at any time may make (or cause to be made) contributions or transfers of cash or other assets acceptable to Trustee to the Trust, from employer contributions, employee contributions or any other source. Neither Trustee nor any Beneficiary or any party to or any other entity referred to in this Agreement may compel such contributions or transfers. All such contributions or transfers and all income thereon are irrevocably dedicated to, and will be used for the exclusive purpose of, paying OPEB Obligations, Pension Pre-Funding Obligations, and the expenses of administering the Trust.

(h) Neither Trustee nor Trust Administrator is responsible for determining or inquiring if contributions or transfers made are in compliance with the OPEB Plan or Pension Plan, as applicable, or state law; computing the amount or adequacy of any contributions or transfers hereunder; or enforcing the payment of any contributions to the Trust. In addition, neither the Trustee nor the Trust Administrator is responsible for separately accounting for any contributions or transfers to the Trust or for determining the source of these amounts.

(i) The Trustee will establish a separate Account to which the Trustee will (i) credit all contributions or transfers from the Employer to the Trust and any income and gains attributable to those amounts, and (ii) debit all distributions, transfers from the Trust, and any losses and expenses attributable to those amounts. The assets in the Employer's Account will be available only to pay the Employer's OPEB Obligations and Pension Pre-Funding Obligations and the expenses of administering the Trust, and will not be available to pay any other obligations of the Employer.

(j) The Employer's Account contains three types of subaccounts (each of which may contain one or more subaccounts): an "Omnibus Account," a "Pension Account," and an "OPEB Account." Contributions and transfers received by the Trust will be allocated to the Pension Account, the OPEB Account, or the Omnibus Account, as directed by the Employer. Any contributions or transfers for which the Employer does not

provide such direction will by default be allocated to the Omnibus Account. The subaccounts will be operated as follows:

(1) The Omnibus Account will hold any Trust assets that have not been allocated to either the Pension Account or OPEB Account. Assets under the Omnibus Account will be available only for disbursement to pay the reasonable expenses of administering the Trust, or for allocation (at the Employer's or Benefit Administrator's direction) to the Pension Account or OPEB Account.

(2) The Pension Account will be available only to fund the Employer's Pension Pre-Funding Obligation.

(3) The OPEB Account will be available only to fund the Employer's OPEB Obligation.

(k) Trust Administrator has exclusive authority and responsibility for the management and investment of Trust assets in its sole judgment, without any requirement or consent by Employer or, except as expressly provided herein, of notice to Employer. Trustee is authorized and directed to comply with the written directions of Trust Administrator concerning management and investment of Trust assets, and the Trustee has no discretion to manage or invest Trust assets hereunder. Trust Administrator shall not issue any such direction in violation of the terms of this Agreement.

(l) No Beneficiary will be deemed a third-party beneficiary of this Agreement, nor will any Beneficiary have the right to compel any payment of any amount from the assets of the Trust or to enforce any duties of any party to or other entity referred to in this Agreement.

(m) Benefit payments from the Trust are neither general nor special obligations of Employer. Trust assets are the only assets irrevocably dedicated to the payment of Benefits under the Trust. Payment of Benefits from the Trust is not backed by Employer's full faith and credit or by its taxing power. No Beneficiary may compel the exercise of Employer's taxing power.

(n) In no event shall Employer's governing body or its members or Trustee, or Trust Administrator or any of their directors, officers, employees or agents be liable hereunder. Distributions from the Trust do not constitute debts of Employer (within the meaning of constitutional or statutory limitations or restrictions) nor are they legal or equitable pledges, charges, liens or encumbrances upon Employer's property, income, or other assets.

(o) The Employer hereby acknowledges that the Trustee has not sought a private letter ruling or other ruling from the Internal Revenue Service or any state department of revenue regarding the tax-exempt status of the Trust or any income earned by the Trust. The Trustee is not responsible for the payment, withholding, or reporting of any federal or state income tax or withholding on the corpus of the Trust or any contributions or income added to the Trust at any time.

(p) The Trustee will not be liable for the Trust's failure to qualify for (or loss of) (1) tax-exempt status as a governmental trust under Section 115 of the Code, including any regulations promulgated thereunder, or (2) tax-exempt trust status under the provisions of applicable state law. Specifically, the Employer will indemnify, defend and hold harmless the Trustee (and its officers, agents, employees, and attorneys) from and against any and all claims, demands, losses, costs, expenses or liability imposed on the Trustee, including reasonable attorneys' fees and costs, arising as a result of or in connection with the Trust's failure to qualify for (or loss of) (1) tax-exempt status as a governmental trust under Section 115 of the Code, including any regulations promulgated thereunder, or (2) tax-exempt trust status under the provisions of applicable state law.

(q) **Limitations on Duties.** The duties of the Trustee will be strictly limited to those set forth in this Agreement, and no implied covenants, duties, responsibilities, representations, warranties, or obligations will be read into this Agreement against the Trustee. For purposes of this Section III(q), "Plan" means any OPEB Plan or Pension Plan. Without limiting the generality of the foregoing, the Trustee has no duty to:

(1) Act as the administrator of the Plan, including, but not limited to, construing the terms of the Plan; determining eligibility for Plan benefits (including, but not limited to, eligibility for participation, vesting, or distribution, as well as the timing, amount, or form thereof); resolving benefit claims or claim appeals; prescribing forms (including, but not limited to, forms for electing participation, distribution, or withdrawal or for providing notices to participants or beneficiaries); establishing, maintaining, or reconciling to any individual accounts; selecting or monitoring any forfeiture funds or any investment alternatives (including default investment alternatives) into which participants or beneficiaries may direct the investment of assets held in, or contributed to, their individual accounts; disclosing any plan-related, investment-related, or fee-and-expense information required to be disclosed to participants or beneficiaries; or receiving investment, distribution, or other directions from participants or beneficiaries.

(2) Act as trustee of any Plan assets that are not in Trustee's possession.

(3) Act as investment manager of, or take notice of the management of, any Plan assets other than assets that are subject to the Bank's discretion to manage (if any).

(4) Provide "investment advice," as defined by applicable state or federal law.

(5) Act as record-keeper or broker that makes the Plan's designated investment alternatives available to participants or beneficiaries (such as on a record-keeping platform or similar mechanism).

(6) Determine, monitor, or collect Plan contributions or monitor compliance with any applicable funding requirements.



(7) Inspect, review, or examine any Employer-controlled asset or governing, offering, subscription, or similar document with respect thereto, to determine whether the asset or document is authentic, genuine, enforceable, properly signed, appropriate for the represented purpose, is what it purports to be on its face, or for any other purpose, or to execute such document, or to take physical possession of such asset or document. “Employer-controlled Asset” means an asset that is neither registered in the name of the Account (with the Trustee designated as trustee), the Trustee (with or without trust designation), or the Trustee’s nominee nor maintained by the Trustee at a Depository (as defined below) or with a sub-custodian nor held by the Trustee in unregistered or bearer form or in such form as will pass title by delivery. “Depository” means any central securities depository (such as the DTC), international central securities depository (such as Euroclear Bank SA/NV), or Federal Reserve Bank.

(8) Collect any income, principal, or other distribution due and payable on an asset if the asset is in default or if payment is refused after due demand or, except as expressly provided herein, to notify the Employer in the event of such default or refusal.

(9) Provide notice of, or forward, mini-tenders (which are tender offers for less than 5% of an outstanding equity or debt issue) for any equity issue or, if any of the following is true, for any debt issue: The debt issue is not registered with the SEC. The debt issue has a “first received, first buy” basis with no withdrawal privilege and includes a guarantee of delivery clause. Or, the tender offer includes the statement that “the purchase price includes all accrued interest on the note and has been determined in the sole discretion of the buyer and may be more than or less than the fair market value of the notes” or similar language.

(10) Question whether any direction received under this Agreement is prudent or consistent with the terms of the Plan; to solicit or confirm directions; or to question whether any direction received under this Agreement, or entered into the Employer’s or Benefit Administrator’s account in the Trustee’s on-line portal, is unreliable or has been compromised, such as by identity-theft.

(11) Calculate, withhold, prepare, sign, disclose, file, report, remit, or furnish to any taxing authority or any taxpayer any federal, state, or local taxes, tax returns, or information returns that may be required to be calculated, withheld, prepared, signed, disclosed, filed, reported, remitted, or furnished with respect to the Plan (such as paying Plan benefits) or Account, except to the extent such duties are required by law to be performed only by the Trustee in its capacity as trustee under this Agreement or are expressly set forth herein.

(12) Monitor service providers hired by the Employer or Benefit Administrator.

(13) Maintain or defend any legal proceeding in the absence of indemnification, to the Trustee's satisfaction, against all expenses and liabilities which it may sustain by reason thereof.

(14) Advance funds or securities or otherwise expend or risk its own funds or incur its own liability in the exercise of its powers or rights or performance of its duties under this Agreement.

(15) Escheat any asset, whether in connection with a benefit-distribution check issued by the Trustee under this Agreement or in any other circumstance, except to the extent the Employer or Benefit Administrator directs the Trustee to the contrary.

**Section IV. Payments from Trust.**

(a) The Benefit Administrator has the exclusive authority and responsibility to determine the amount of OPEB Obligations or Pension Pre-Funding Obligations to be paid out of the assets of the Trust. Neither the Trust Administrator nor the Trustee will make or authorize disbursements or transfers from the Account without the explicit written direction from the Benefit Administrator.

(b) From time to time, the Benefit Administrator will direct Trustee in writing to disburse amounts from the OPEB Account for OPEB Obligations to (i) the Benefit Administrator for subsequent distribution to or for the benefit of Beneficiaries, (ii) any party providing services for the Employer's OPEB Plan, including but not limited to any insurer, third-party administrator, or other service provider, or (iii) to or for the benefit of the Beneficiaries.

(c) From time to time, the Benefit Administrator will direct the Trustee in writing to disburse amounts from the Employer's Pension Account for Pension Pre-Funding Obligations to (i) the Pension Plan as contributions to the plan's Qualified Trust, (ii) the Benefit Administrator, for subsequent payment of the Employer's Pension Pre-Funding Obligation, or (iii) the Employer as reimbursement for any Pension Pre-Funding Obligation amount paid or incurred by the Employer.

(d) From time to time, the Benefit Administrator will direct Trustee in writing to disburse amounts from the Omnibus Account to the Employer as reimbursement for any expenses associated with administering the Trust (including but not limited to Trustee fees).

(e) Trustee will be fully protected in making payments out of the Trust at the direction of the Benefit Administrator.

(f) Trustee's sole obligation as to disbursements from the Trust is to observe the Benefit Administrator's instructions to the extent that the Trust has assets to make disbursements as instructed by the Benefit Administrator. Nothing contained in the Trust or any Plan constitutes a guarantee that Trust assets will be sufficient to pay any OPEB Obligations or Pension Pre-Funding Obligations.

(g) Trustee is authorized to disburse amounts from the Trust to pay the expenses of administering the Trust as expressly authorized by this Agreement, or as instructed in writing by the Benefit Administrator.

**Section V. Investments.**

(a) Trustee shall hold and administer Trust assets without distinction between principal and income.

(b) Trust assets shall be invested only in Permitted Investments. Trust Administrator shall have full power and authority to invest and reinvest Trust assets in any Permitted Investments. Trustee shall be entitled to conclusively rely on, and shall have no duty to question or determine whether investments directed hereunder by the Trust Administrator are Permitted Investments or otherwise comply with the Investment Policy Statement or applicable state laws that govern or restrict other post-employment benefits and the investment of assets hereunder.

(c) Transactions involving Permitted Investments which require execution through a broker shall be executed through such broker or brokers as Trust Administrator shall select. The indicia of ownership of Trust assets shall be held by Trustee at all times.

(d) Any entity affiliated with Trustee may act as broker or dealer to execute transactions, including the purchase of securities directly distributed, underwritten or issued by an entity affiliated with a Trustee, at standard commission rates, mark-ups or concessions, and may provide related investment services with respect to the Trust.

(e) Solely as directed by Trust Administrator, Trustee is authorized and empowered:

(1) To invest and reinvest Trust assets, together with the income therefrom, in Permitted Investments.

(2) To establish and maintain an Account to which the Trustee will (i) credit all contributions or transfers from the Employer to the Trust and any income and gains attributable to those amounts, and (ii) debit all distributions, transfers from the Trust, and any losses and expenses attributable to those amounts.

(3) To maintain accounts at, execute transactions through, and lend stocks, bonds or other securities on an adequately secured basis to, any brokerage firm including any firm that is an affiliate of Trustee.

(4) To vote upon or tender any stocks, bonds or other securities and to give general or special proxies or powers of attorney with or without power of substitution; to exercise any conversion privileges, subscription rights or other options of which Trustee receives actual notice, and to make any payments incidental thereto; to consent to or otherwise participate in corporate reorganizations or other changes affecting corporate securities and to delegate discretionary powers and to pay any assessments or charges in connection

therewith; and generally to exercise any of the powers of an owner with respect to stocks, bonds, securities or other property held in the Trust.

(5) To deposit or invest all or any part of the assets of the Trust in savings accounts or certificates of deposit or other deposits in a bank or savings and loan association or other depository institution, including Trustee or any of its affiliates; provided that, with respect to such deposits with Trustee or an affiliate, the deposits bear a reasonable rate of interest.

(6) To invest and reinvest any Trust assets in one or more collective investment funds.

(7) To hold, manage, improve, repair and control all investment property, real or personal, forming part of the Trust; to sell, convey, transfer, exchange, partition, pledge, encumber, lease for any term, even extending beyond the duration of the Trust, and otherwise dispose of the same from time to time.

(8) To take such actions as may be necessary or desirable to protect the Trust from loss due to the default on mortgages held in the Trust including the appointment of agents or trustees in such other jurisdictions as may seem desirable, to transfer property to such agents or trustees, to grant to such agents such powers as are necessary or desirable to protect the Trust, to direct such agent or trustees, or to delegate such power to direct, and to remove such agent or trustees.

(9) To settle, compromise or abandon all claims and demands in favor of or against the Trust.

(10) To borrow money from any source and to execute promissory notes, mortgages, or other obligations and to pledge or mortgage any Trust assets as security.

(11) To designate and engage the services of such agents, representatives, advisers, counsel and accountants, any of whom may be an affiliate of a Trustee or a person who renders services to such an affiliate and, as part of its expenses under this Agreement, to pay their reasonable expenses and compensation.

(12) To enter into interest rate, currency, cash-flow, indexed (including indexed to equities) and other types of swaps and hedges designed to hedge payment, interest rate, currency, duration, spread or similar exposure related to any investment or program of investments of Trust assets or to manage asset/liability matching between investments and OPEB Obligations or Pension Pre-Funding Obligations, or both, to be paid therefrom.

(f) The Trustee has the power:

(1) To hold in cash, without liability for interest, such portion of the Trust assets as is pending investment, or payment of expenses, or distribution.

(2) With respect to amounts received hereunder without investment direction, to purchase a position in the sweep vehicle designated in Exhibit B.

(3) To make, execute and deliver, as Trustee, any and all deeds, leases, mortgages, conveyances, waivers, releases or other instruments in writing necessary or appropriate for the accomplishment of any powers listed in this Agreement.

(4) To register securities, or any other property, in its name or in the name of any nominee, including the name of any affiliate or the nominee name designated by any affiliate, with or without indication of the capacity in which property shall be held, or to hold securities in bearer form and to deposit any securities or other property in a depository or clearing corporation.

(5) To pay or cause to be paid from the Trust any and all real or personal property taxes, income taxes or other taxes with respect to the Trust.

(6) To exercise all of the further rights, powers, options and privileges granted, provided for, or vested in trustees generally under the laws of the State of California so that the powers conferred upon Trustee herein shall not be in limitation of any authority conferred by law or under this Agreement, but shall be in addition thereto; provided that such powers satisfy applicable requirements (if any) of the laws of the State of California.

(7) To hire service providers (including, but not limited to, attorneys, depositories, and sub-custodians) to assist the Trustee in exercising the powers set forth in this Section V(f) provided, the Trustee shall be liable to the Trust for any loss which shall occur as a result of the failure of any sub-custodian so hired to exercise reasonable care with respect to the safekeeping of assets to the same extent that the Trustee would be liable to the Trust as a result of the failure of the Trustee to exercise reasonable care.

(8) Generally to do all other acts which Trustee deem necessary or appropriate for the protection of the Trust.

#### **Section VI. Trust Administration.**

(a) Trust Administrator shall determine the asset allocation of investments for Trust assets in its judgment from time to time in light of the anticipated amounts of cash required by the Trust for distributions and other expenses, and the principles set forth in the Investment Policy Statement. Trust Administrator shall implement the Investment Policy Statement by buying and selling investments for the Trust as described in Section V hereof. Initially, the Trust assets shall be invested in specified investment funds in specified proportions as set forth in the Investment Policy Statement. Thereafter, Trust Administrator shall exercise its professional judgment with respect to investments and shall have no obligation to consult with or obtain approval of Employer.

(b) Trust Administrator shall reassess and may alter the asset allocation of the Trust at least annually. Trust Administrator shall “rebalance” the investments of the Trust at least annually to maintain the ratios of the asset allocation of the Trust then in effect, and Trust Administrator shall determine whether there are reasons to revise the Investment Policy Statement at least annually. Trust Administrator shall continuously review the performance of the investment of Trust assets and, in its judgment, shall purchase or sell Permitted Investments for the Trust. In addition, Trust Administrator shall provide to Employer and any Benefit Administrator (upon written request by such Benefit Administrator to Trust Administrator) a quarterly analysis of the performance of the investments of the Trust and statement of any changes in investments made in such quarter.

(c) Employer shall appoint a responsible accounting firm to conduct an annual audit of the Trust at the sole expense of Employer. The results of such audit shall be provided to Trust Administrator, Trustee and Employer.

(d) Trustee shall have sole custody of cash, securities and other assets of the Trust. Trust Administrator is authorized to give instructions to Trustee as to deliveries of securities and payments of cash for the account of the Trust. Trust Administrator shall not take possession of or act as custodian for the cash, securities or other assets of the Trust and shall have no responsibility in connection therewith. Trustee performs a routine, ministerial, non-discretionary valuation function. Trustee reports prices that might not be fair value or fair market value.

(e) Except as otherwise stated herein, the Trust shall incur total costs not exceeding 0.45% (forty-five hundredths of one percent) per year (the “Basis Point Level”) of the Net Assets of the Trust for the payment of Trust Administration Fees, according to the schedule below:

Investment Advisory Fee Schedule

First \$50 million in net assets.....	0.28%
Over \$50,000,000.....	0.20%

“Net Assets” means the net market value of all cash and investment assets as of the end of the most recent month as determined and reported by Trustee in accordance with Section VII(c) hereof. “Trust Administration Fees” means the fees for all services of Trust Administrator. The Trust Administration Fees shall not include the fees of the investment funds, the Trustee or any other person providing services to the Plans or Trust.

Trust assets invested by Trust Administrator under the terms of this Agreement may from time to time be invested in mutual funds managed by Trust Administrator (a “Proprietary Fund”). With respect to any such investment, the Trust shall be entitled to a credit against the Trust Administration Fees described in this subsection, in an amount at least equal to the amount of the investment advisory fee, then in effect and net of any fee waivers applicable to such investment advisory fee, which Trust Administrator receives from the Proprietary Fund for the investment of the Trust assets. Expenses of the Proprietary Fund,

including compensation for the Trust Administrator, are described in the relevant prospectus or registration statement and are paid from the Proprietary Fund.

(1) The Trust Administration Fees shall be billed monthly in arrears, with each month's portion of the Annual Fee equaling the product of (1), (2) and (3), where (1) is the Net Assets for the month for which Services are being billed (the "Billing Month"), (2) is the Basis Point Level and (3) is the quotient obtained by dividing the number of days in the Billing Month by 365 or 366 days, as applicable.

At the end of each calendar month, Trust Administrator shall submit to Trustee, with a copy to Employer, an invoice for payment of the Trust Administration Fees for the preceding calendar month as calculated. Trust Administrator is authorized to instruct Trustee to disburse funds from the Trust for the payment of the Trust Administration Fees to Trust Administrator. If Trust Administrator shall serve for less than the entire month, the compensation shall be pro-rated.

(2) For services provided by Trustee to the Trust pursuant to this Agreement Trustee is entitled to compensation hereunder. A schedule of that compensation is attached hereto as **Exhibit B (Fee Schedule for Trustee)**.

(3) If and to the extent that Employer shall request Trust Administrator to render services to the Trust other than those to be rendered by Trust Administrator hereunder, such additional services shall be compensated separately on terms to be agreed upon between Trust Administrator and Employer.

(f) Trust Administrator shall furnish at its own expense all necessary administrative services, office space, equipment, clerical personnel, telephone and other communication facilities, and executive and supervisory personnel required to perform its duties under this Agreement.

(g) Reasonable expenses, fees, costs, and other charges incurred by the Trustee in providing services hereunder (excluding amounts payable to a sub-custodian) including broker-dealer commissions, securities registration fees and agents or counsel as may be reasonably necessary in managing and protecting assets of the Trust.) are expenses of the Trust, and the same will not be offset from the Trustee's compensation unless required by applicable law. Except as expressly provided otherwise herein, Trust Administrator is authorized to cause Trustee to disburse funds from the Trust to pay the expenses of administering the Trust, including, without limitation, taxes payable by the Trust, fees and expenses of legal counsel to the Trust, if any, and insurance premiums.

(h) Trust Administrator hereby represents that it is a registered investment advisor under the Investment Advisers Act of 1940. Trust Administrator shall immediately notify Employer if at any time during the term of this Agreement it is not so registered or if its registration is suspended. Trust Administrator agrees to perform its duties and responsibilities under this Agreement with reasonable care as provided by law. The federal securities laws impose liabilities under certain circumstances on persons who act in good

faith. Nothing in this Agreement shall in any way constitute a waiver or limitation of any rights that Employer or Trustee may have under any federal securities laws or otherwise.

(i) Employer understands that Trust Administrator performs investment advisory services for various other clients which may include investment companies, commingled trust funds and individual portfolios. Employer agrees that Trust Administrator may give advice or take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the Trust, so long as it is the policy of Trust Administrator, to the extent practical, to allocate investment opportunities to the Trust over a period of time on a fair and equitable basis relative to other clients. Trust Administrator shall not have any obligation to purchase, sell or exchange any security for the Trust solely by reason of the fact that Trust Administrator, its principals, affiliates, or employees may purchase, sell or exchange such security for the account of any other client or for themselves.

(j) Trust Administrator shall promptly give notice to Employer if the Trust Administrator shall have been found to have violated any state or federal securities law or regulation in any final and unappealable judgment in any criminal action or civil suit in any state or federal court or in any disciplinary proceeding before the Securities and Exchange Commission or any other agency or department of the United States, any registered securities exchange, the Financial Industry Regulatory Authority, or any regulatory authority of any State based upon the performance of services as an investment advisor.

(k) Trust Administrator, its employees, officers and representatives, shall not be deemed to be employees, agents, partners, servants, and/or joint ventures of Employer or Trustee by virtue of this Agreement or any actions or services rendered under this Agreement.

(l) Trust Administrator shall maintain appropriate records of all its activities hereunder.

(m) Trust Administrator warrants that it has delivered to Employer Trust Administrator's current Securities and Exchange Commission Form ADV, Part 2A (Trust Administrator's brochure) and Part 2B (brochure supplement). Employer acknowledges receipt of such brochure and brochure supplement prior to the execution of this Agreement.

(n) The provisions of this Agreement shall be binding on Trust Administrator and its successors and assigns, provided, however, that the rights and obligations of Trust Administrator may not be assigned without the prior written consent of Employer.

## **Section VII. Trust Accounting.**

(a) Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions, including such specific records as shall be agreed upon in writing between Employer and Trustee.



(b) Within 60 days following the close of each calendar quarter (and within 60 days after removal or resignation of Trustee), Trustee shall deliver to Trust Administrator and Employer a written account of the Trust during such calendar quarter (or during the period from the close of the last preceding calendar quarter to the date of such removal or resignation), setting forth all deposits, investments, receipts, disbursements and other transactions effected by it, including a description of transfers made and income received by the Trust, all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), all disbursements for the payment of OPEB Obligations and Pension Pre-Funding Obligations, administrative expenses (any amounts paid to Trustee shown separately) or other costs paid from the Trust, and showing all cash, securities and other property held in the Trust at the end of such calendar quarter or as of the date of such removal or resignation, as the case may be.

(c) For purposes of reporting the value of a Trust asset on a written account of the Trust, the Trustee will report a value that is (i) provided to the Trustee by a third-party pricing vendor or (ii) readily determinable on an established market, if such value is available to the Trustee when preparing the statement. If unavailable, the Employer will, upon the Trustee's request, direct the Trustee as to the value; the Trustee will then report such value. Absent such a direction, the Trustee will report the most recent value that the Trustee received from the asset's broker, fund accountant, general partner, issuer, manager, transfer agent, or other service provider (commonly known as a pass-through price).

#### **Section VIII. Standard of Care and Indemnification.**

(a) All Trust assets and all income thereon shall be used for the exclusive purpose of providing for the payments of OPEB Obligations and Pension Pre-Funding Obligations and for paying expenses of administering the Trust. Trustee and Trust Administrator, when making, selling or otherwise managing investments of the funds, shall discharge their duties with respect to the investment of the funds (i) solely in the interest of, and for the exclusive purposes of funding OPEB Obligations and Pension Pre-Funding Obligations, maximizing the amount available for such funding, and paying reasonable expenses of administering the Trust; and (ii) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims. The Trust Administrator shall diversify the investments of the Trust assets so as to minimize the risk of loss and to maximize the rate of return, in accordance with the Investment Policy Statement. No fiduciary is liable hereunder for the breach of another fiduciary except as expressly provided by law; provided, however, that the Trustee shall be liable for the breach of a sub-custodian which it has engaged.

(b) To the extent not expressly prohibited by law, Trustee, from its own funds and not from any assets of the Trust, shall indemnify the Employer against, and shall hold Employer harmless from, any and all loss, claims, liability, and expense, including cost of defense and reasonable attorneys' fees (collectively, "damages") imposed upon or incurred at any time by Employer by reason of or in connection with the performance of Trustee's

services under this Agreement, except to the extent such damages result from any Employer act (or omission) that constitutes willful misconduct.

(c) To the extent not expressly prohibited by law, Trust Administrator, from its own funds and not from any assets of the Trust, shall indemnify the Employer against, and shall hold them harmless from, any and all damages imposed upon or incurred by Employer by reason of, or in connection with its services under this Agreement, except to the extent that such damages resulted from any Employer act (or omission) that constitutes willful misconduct.

(d) **“Indemnified Person”** means the Trustee and its affiliates and their directors, officers, employees, successors, and assigns. The Employer hereby indemnifies and releases each Indemnified Person, and holds each Indemnified Person harmless from and against, and an Indemnified Person will incur no liability to any person for, any and all damages imposed on or incurred by the Indemnified Person by reason of the Indemnified Person’s action or omission in connection with this Agreement or the Account (including, but not limited to, an action or omission that is consistent with directions provided under this Agreement), except to the extent that such damages result from the Indemnified Person’s willful misconduct, gross negligence, bad faith, material breach of this Agreement, or breach of fiduciary duty.

(e) The indemnification obligations provided for in this Agreement shall survive the termination of this Agreement.

(f) The Trustee is not liable hereunder for indirect, incidental, or consequential damages.

#### **Section IX. Resignation and Removal of Trust Administrator.**

(a) Trust Administrator may resign at any time upon 90 days prior written notice to Employer, which notice may be waived by Employer. Employer may remove Trust Administrator upon 90 days prior written notice to Trust Administrator, which notice may be waived by Trust Administrator.

(b) Upon notice of Trust Administrator’s resignation, Employer shall promptly designate a successor Trust Administrator qualified to act as Trust Administrator of the Trust under the laws of the State of California, such resignation to be effective upon acceptance of appointment by such successor Trust Administrator.

(c) Until a successor Trust Administrator is appointed and assumes its duties under this Agreement, Trust Administrator shall be entitled to compensation for its services in accordance with Section VI(e) hereof and shall deliver all of its books and records relating to the Trust to its successor.

(d) Any company into which the Trust Administrator or Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which Trust Administrator or may sell or transfer all or substantially all of its investment advisory

business, shall be, with the prior written consent of Employer, the successor to such Trust Administrator or Trustee as the case may be.

(e) A successor Trust Administrator or Trustee shall have no duty to audit or otherwise inquire into the acts or transactions of its predecessor.

**Section X. Resignation and Removal of a Trustee.**

(a) Trustee may resign at any time upon 90 days prior written notice to Trust Administrator and Employer. Employer may remove a Trustee upon 90 days prior written notice to such Trustee, which notice may be waived by Trustee.

(b) Upon notice of a Trustee's resignation or removal, Employer shall promptly designate a successor Trustee qualified to act as Trustee of the Trust under the laws of the State of California, such resignation or removal to be effective upon written acceptance of appointment by such successor Trustee.

(c) If Employer does not designate a successor Trustee, or if a successor Trustee designated by Employer has not accepted appointment within 90 days after Trustee gives notice of its resignation or receives notice of removal, the Trustee may, at the expense of the Trust, apply to a court of competent jurisdiction to appoint a successor Trustee.

(d) Upon accepting trusteeship or upon judicial declaration of trusteeship, the successor trustee will become vested with full title and right to possession of all Trust assets and account records. The Trustee will thereupon hold the same only as custodian (pursuant to the custodial provisions of this Agreement) and promptly account for and deliver all assets and account records to the successor trustee. The Trustee may withhold from such delivery an amount of assets equal to any outstanding fees, expenses, and overdrafts hereunder which are not in dispute.

**Section XI. Amendment, Merger, Transfer or Termination.**

(a) The Trust may be amended at any time in writing by Trustee, Trust Administrator and Employer; provided, however, that no amendment may: (i) render the Trust "revocable," (ii) adversely affect the status of the Trust as tax-exempt under Section 115 of the Code, (iii) cause any assets held in the Employer's Account to be used for or diverted to any purpose other than for the exclusive purposes of funding the Employer's OPEB Obligations or Pension Pre-Funding Obligations, as applicable, or defraying the reasonable expenses of administering the Trust, or (iv) eliminate the requirement that none of the assets held in the Employer's Account revert to the Employer prior to the satisfaction of all OPEB Obligations or Pension Pre-Funding Obligations, as applicable; and provided further that the terms of Exhibit B (Fee Schedule for Trustee) alone govern amendments thereto.

(b) For purposes of this Section XI, "Exempt Trust" means any Employer-created trust that is tax-exempt under Section 115 of the Code, and whose assets are irrevocably dedicated for the exclusive purposes of funding the Employer's OPEB

Obligations or Pension Pre-Funding Obligations (or both) and defraying the reasonable expenses of administering such trust. This Trust is an Exempt Trust.

(c) At the direction of Employer, the Trust may be merged with another Exempt Trust, or all or part of the Trust assets (net of any amount as may be reasonably necessary to pay the fees and expenses of Trust Administrator and Trustee and other expenses of the Trust) may be transferred to such other Exempt Trust; provided, however, that no such merger may alter Trustee obligations under this Agreement without Trustee written approval, no such merger or transfer may render this Trust “revocable,” and no such merger or transfer may adversely affect the status of this Trust as an Exempt Trust.

(d) The Trust and this Agreement may be terminated at any time in writing by the Employer; provided that the termination does not render the Trust “revocable” or adversely affect retroactively the status of the Trust as an Exempt Trust. Upon termination of the Trust, Trust assets shall be paid out at the direction of Trust Administrator in the following order of priority: (1) to the payment of reasonable administrative expenses (including taxes and termination costs) of the Trust, (2) to the payment of the OPEB Obligations and Pension Pre-Funding Obligations currently payable under the OPEB Plan and Pension Plan, as applicable, (3) to an Exempt Trust; and (4) if and only to the extent not required for such purposes at the time or thereafter, to or as directed by Employer. Except as provided in the preceding clause (4), no part of the Trust assets shall revert to Employer.

(e) Neither Trust Administrator nor Employer nor any entity related to any of them shall have any beneficial interest in the Trust or except as provided immediately above, receive any amounts upon termination of the Trust.

(f) The Trust shall remain in existence until all assets have been distributed.

(g) Upon termination of the Trust, Trust Administrator and Trustee shall continue to have all powers provided in this Agreement as are necessary or desirable for the orderly liquidation and distribution of Trust assets in accordance with the provisions hereof.

## **Section XII. Advance of Funds and Securities.**

(a) The Trustee has the power but not the duty to advance funds or securities in furtherance of settling securities transactions and other financial-market transactions under this Agreement.

(b) To the extent of any advance of funds or securities under this Agreement, the Employer hereby grants the Trustee a first-priority lien and security interest in, and right of set-off against, the Assets. The Trustee may execute that lien and security interest, and exercise that right, at any time. Furthermore, nothing in this Agreement constitutes a waiver of any of the Trustee’s rights as a securities intermediary under Uniform Commercial Code §9-206.

**Section XIII. Miscellaneous.**

(a) The Trust shall be governed by, and interpreted in a manner consistent with, the laws of the State of California and, to the extent applicable, the Code.

(b) No Trustee or Trust Administrator shall be responsible for any contributions, costs, OPEB Obligations, Pension Pre-Funding Obligations, distributions, acts or omissions of Employer or any Benefit Administrator.

(c) Each party to this Agreement represents and warrants that the person or persons signing this Agreement on behalf of such party is authorized and empowered to sign and deliver this Agreement for such party.

(d) Employer shall notify Trust Administrator and Trustee in a separate writing of the person or persons, by office or other position of employment, who are authorized to act on behalf of Employer and Benefit Administrator in all matters relating to the Trust. Each of Trustee and Trust Administrator may assume that any person so identified continues to be so authorized until Employer gives Trust Administrator and Trustee notice to the contrary.

(e) Trust Administrator shall notify Trustee and Employer in a separate writing of all those who are authorized to act on behalf of Trust Administrator in all matters relating to the Trust. Trustee may assume that any person so identified continues to be so authorized until Trust Administrator gives Trustee notice to the contrary.

(f) In the event any provision of this Agreement is held to be invalid for any reason, such invalidity shall not affect any other provisions of this Agreement, and this Agreement shall be construed and enforced as if the invalid provision had never been included.

(g) This Agreement may be executed in any number of counterparts, each of which shall be considered as an original.

(h) All communications under this Agreement shall be in writing and shall be deemed to have been duly given (1) on the date of receipt if served personally or by confirmed facsimile or other similar communication; (2) on the first business day after sending if sent for guaranteed next day delivery by a next-day courier service; or (3) on the fourth business day after mailing if mailed to the party or parties to whom notice is to be given by registered or certified mail, return receipt requested, postage prepaid, and properly addressed as follows:

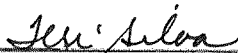
**If to Employer:** City of Sunnyvale  
650 West Olive Avenue  
Sunnyvale, CA 94086  
Attention: Timothy J. Kirby, Director of Finance

**If to Trustee:** U.S. Bank National Association  
800 Nicollet Mall  
Minneapolis, MN 55402

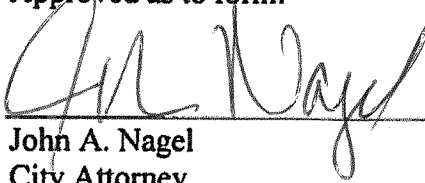
**If to Trust  
Administrator:** PFM Asset Management LLC  
1735 Market Street, 43<sup>rd</sup> Floor  
Philadelphia, PA 19103

**IN WITNESS WHEREOF**, and as evidence of establishment of the Trust created hereunder, the parties have caused this Agreement to be executed as of the date first above written:

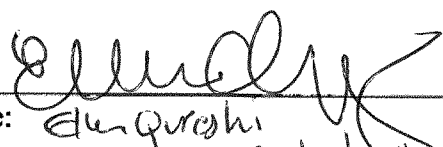
**CITY OF SUNNYVALE**

By:   
Name: Kent Steffens  
Title: City Manager

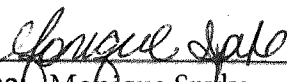
Approved as to form:

  
John A. Nagel  
City Attorney

**U.S. Bank National Association,  
as Trustee**

By:   
Name: Elan Qureshi  
Title: Vice President - Relationship Manager

**PFM Asset Management LLC  
as Trust Administrator**

By:   
Name: Monique Spyke  
Title: Managing Director

## Duplicate Original

### INVESTMENT ADVISORY AGREEMENT

THIS AGREEMENT, entered into as of the 20th day of July, 2010 (the "Agreement"), by and between City of Sunnyvale, Santa Clara County, California (hereinafter the "Client") and PFM ASSET MANAGEMENT LLC, a Delaware limited liability company with an office in San Francisco, California (hereinafter the "Advisor").

#### WITNESSETH

**WHEREAS**, the Client maintains the Sunnyvale Retiree Medical Trust (the "Fund") in order to satisfy the City's long-term liability for retiree medical costs; and

**WHEREAS**, the Fund has funds available for investment purposes; and

**WHEREAS**, the Client desires to avail itself of the experience, sources of information, advice, assistance and facilities available to the Advisor; to have the Advisor undertake certain duties and responsibilities; and to perform certain services as investment advisor on behalf of the Fund, as provided herein; and

**WHEREAS**, the Advisor is willing to provide such services on the terms and conditions hereinafter set forth.

**NOW, THEREFORE**, in consideration of the premises and mutual covenants herein contained, the parties hereto, intending to be legally bound, agree as follows:

#### 1. SERVICES OF ADVISOR.

The Client hereby engages the Advisor to serve as investment advisor with respect to the Fund under the terms of this Agreement, and the Advisor accepts such engagement. The Advisor will determine the asset allocation of investments for the Fund (the "Investment Strategy" of the Fund) on the basis of information provided by the Client or other service providers, including the anticipated amounts of cash required by the Fund for distributions and other



expenses, and the appropriate risk tolerance for the Fund based upon the cash needs of the Fund and the Client's resources. The Advisor will then execute the Investment Strategy of the Fund by buying and selling shares of the investment funds. Initially the Fund shall be invested in investment funds in specified proportions as set forth in a separate schedule delivered to the Client by the Advisor at or prior to the time the Fund is initially funded (as the same may be revised by the Advisor from time to time, the "Schedule").

The Advisor will reassess and may alter the Investment Strategy asset allocation at least annually and "rebalance" the investment funds as reflected in the Schedule at least annually to maintain the ratios of the Investment Strategy, and will consult with the Client at least annually to determine whether there are reasons to revise the Investment Strategy. The Advisor will conduct a review at least annually of the performance of the investment funds held by the Fund and, in its judgment, will add to or reduce allocations to each investment fund and will add or delete investment funds (within the parameters of the Investment Strategy). The Advisor will promptly advise the Client in writing of any revision of the Fund's Investment Strategy and any additions to or deletions from the investment funds held by the Fund. In addition, the Advisor will provide to the Client a quarterly analysis of the performance of the investment funds in which the Fund is invested together with notice of any reallocation of assets among investment funds; the asset balances and market values for such analysis shall be as supplied to the Advisor by the Custodian (as hereinafter defined). In connection with all of the foregoing, the Advisor will promptly give the Client written notice of any changes to the Schedule.

The Client agrees to legally appoint a custodian (the "Custodian") to take and have custody of cash, assets and securities of the Fund. The Custodian shall not be the Advisor and shall be independent of the Advisor. The Client agrees to enter, or that it has entered, into a custodian agreement with the Custodian. The Advisor is authorized to give instructions to the Custodian with respect to the Fund as to deliveries of securities and payments of cash for the payment of securities and as otherwise provided in Section 2(b) of this Agreement. The Advisor shall not take possession of or act as custodian for the cash, securities or other assets of the Fund and shall have no responsibility in connection therewith. The Advisor agrees to recommend and to monitor the Custodian so that the Client's custodial and transaction costs are appropriate

for the level and nature of services rendered by the Custodian to the Fund, the Client and the Advisor.

Authorized investments shall include only those investments which are permissible under applicable statutes and regulations and the Fund's written investment policy, if any, as provided by the Client to the Advisor. The Custodian or an affiliate of the Custodian may be the investment advisor of investment funds selected by the Advisor.

## **2. COMPENSATION.**

(a) For all services provided by the Advisor to the Fund pursuant to this Agreement, the Fund shall incur an annual fee based on net assets under management in the Fund determined on a monthly basis as defined in the Investment Advisory Fee Schedule below. For purposes of this section, "net assets" means the net market value of all cash and investments assets as of the end of the most recent month.

### **Investment Advisory Fee Schedule:**

With a minimum investment of \$25 million within first six months:

First \$50 million in net assets.....	0.29%
Thereafter for assets above \$50 million.....	0.20%

With a minimum investment of less than \$25 million within first six months:

Net assets.....	0.36%
-----------------	-------

until such time as investments exceed \$25 million, after which time the preceding fee schedule applies.

Included in this fee is PFM's direct payment of expenses associated with obtaining a federal IRS private letter ruling on its OPEB trust. Alternatively the Client may elect to pay one-half of those expenses directly and the above fee on the first \$50 million of assets invested will be reduced by one basis point (0.01%) to 28 basis points (0.28%).

(b) At the end of each calendar month, the Advisor will prepare and submit to the Client for approval a monthly invoice for its fee. Such invoice will

include a statement of the basis upon which the fee was calculated. Unless instructed otherwise within 15 calendar days of the postmark on the invoices, the Client authorizes the Advisor to charge such invoices to the Fund's account and authorizes and instructs the Custodian to disburse funds from such account for the payment of the fees and costs to the Advisor. If sufficient funds are not available, the Client agrees to compensate the Advisor from other sources within 30 calendar days of the postmark date. If the Advisor shall serve for less than the whole month, the compensation shall be pro-rated.

(c) If and to the extent that the Client shall request the Advisor to render services other than those to be rendered by the Advisor hereunder, such additional services shall be compensated separately on terms to be agreed upon between the Advisor and the Client.

(d) Assets invested by the Advisor under the terms of this agreement may from time to time be invested in a money market mutual fund or local government investment pool managed by the Advisor (either, a "Pool"), or in individual securities. Average daily net assets subject to the fees described in this section shall not take into account any funds invested in the Pool. Expenses of the Pool, including compensation for the Advisor and the Pool custodian, are described in the relevant prospectus or information statement and are paid from the Pool.

### **3. EXPENSES.**

(a) The Advisor shall furnish at its own expense all necessary administrative services, office space, equipment, clerical personnel, telephone and other communication facilities, investment advisory facilities, and executive and supervisory personnel for managing the investments, inclusive of reasonable costs required to attend meetings with the Client.

(b) Except as expressly provided otherwise herein, the Fund shall pay all of its expenses including, without limitation, taxes, expenses (including front- or back-end charges) of an investment fund, fees and expenses of the Fund's independent auditors and legal counsel, if any, insurance premiums, fees and expenses of the Custodian appointed by the Client, as provided in Section 1, and the keeping of books and accounts.

**4. REGISTERED ADVISOR; DUTY OF CARE.**

The Advisor hereby represents it is a registered investment advisor under the Investment Advisers Act of 1940. The Advisor shall immediately notify the Client if at any time during the term of this Agreement it is not so registered or if its registration is suspended. The Advisor agrees to perform its duties and responsibilities under this Agreement with reasonable care. The federal securities laws impose liabilities under certain circumstances on persons who are required to act in good faith. Nothing herein shall in any way constitute a waiver or limitation of any rights which the Client, the Fund, or the Advisor may have under any federal securities laws. The Client hereby authorizes the Advisor to sign an Internal Revenue Service Form W-9 on behalf of the Client and to deliver such form to broker-dealers or others from time to time as required in connection with securities transactions pursuant to this Agreement.

**5. ADVISOR'S OTHER CLIENTS.**

The Client understands that the Advisor performs investment advisory services for various other clients which may include investment companies, commingled trust funds and/or individual portfolios. The Client agrees that the Advisor, in the exercise of its professional judgment, may give advice or take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the Fund. The Advisor shall not have any obligation to purchase, sell or exchange any security for the Client solely by reason of the fact that the Advisor, its principals, affiliates, or employees may purchase, sell or exchange such security for the account of any other client or for itself or its own accounts.

**6. TERM.**

This Agreement may be terminated by the Client in the event of any material breach of its terms immediately upon notice by certified mail, return receipt requested. This Agreement may be terminated by the Client at any time, on not less than thirty (30) days' written notice to the Advisor. The Advisor may terminate this Agreement immediately upon any material breach of its terms by the Client, or at any time after one year upon thirty (30) days' written notice.

**7. FORCE MAJEURE.**

The Advisor shall have no liability for any losses arising out of the delays in performing or inability to perform the services which it renders under this Agreement which result from events beyond its control, including interruption of the business activities of the Advisor or other financial institutions due to acts of God, acts of governmental authority, acts of war, terrorism, civil insurrection, riots, labor difficulties, or any action or inaction of any carrier or utility, or mechanical or other malfunction.

**8. DISCIPLINARY ACTIONS.**

The Advisor shall promptly give notice to the Client if the Advisor shall have been found to have violated any state or federal securities law or regulation in any criminal action or civil suit in any state or federal court or in any disciplinary proceeding before the Securities and Exchange Commission or any other agency or department of the United States, any registered securities exchange, the Financial Industry Regulatory Authority, or any regulatory authority of any State based upon the performance of services as an investment advisor.

**9. INDEPENDENT CONTRACTOR.**

The Advisor, its employees, officers and representatives, shall not be deemed to be employees, agents (except as to the purchase or sale of securities described in Section 1), partners, servants, and/or joint ventures of the Client or the Fund by virtue of this Agreement or any actions or services rendered under this Agreement.

**10. BOOKS.**

The Advisor shall maintain appropriate records of all its activities hereunder. The Advisor shall use its best efforts to cause the Custodian to provide the Client with a statement, no less frequently than quarterly, showing deposits, withdrawals, purchases and sales (or maturities) of investments, earnings received, and the value of assets held on the last business day of the month all as provided for in the Custodian agreement between the Client and the Custodian.

#### **11. ADVISOR'S DISCLOSURE STATEMENT.**

The Advisor warrants that it has delivered to the Client, at least 48 hours prior to the execution of this Agreement, the Advisor's current Securities and Exchange Commission Form ADV, Part II, including, without limitation, Schedule H thereto (disclosure statement). The Client acknowledges receipt of such disclosure statement at least 48 hours prior to the execution of this Agreement.

#### **12. MODIFICATION.**

This Agreement shall not be changed, modified, terminated or discharged in whole or in part, except by an instrument in writing signed by both parties hereto, or their respective successors or assigns.

#### **13. SUCCESSORS AND ASSIGNS.**

The provisions of this Agreement shall be binding on the Advisor and its respective successors and assigns, provided, however, that the rights and obligations of the Advisor may not be assigned without the consent of the Client.

#### **14. NOTICE.**

Written notices required under this Agreement shall be sent by regular mail, certified mail, overnight delivery or courier, and shall be deemed given when received at the parties' respective addresses shown below. Either party must notify the other party in writing of a change in address.

##### Client's Address

City of Sunnyvale  
650 W. Olive Ave.  
Sunnyvale, CA 94086  
Attn: Grace Leung, Acting Director of Finance

##### Advisor's Address

PFM Asset Management LLC  
50 California Street  
Suite 2300  
San Francisco, CA 94111  
Attn: Girard Miller, Senior Strategist

##### With a Copy to:

PFM Asset Management LLC  
Two Logan Square, Suite 1600  
18<sup>th</sup> & Arch Streets  
Philadelphia, PA 19103-2770  
Attn: Controller

**15. APPLICABLE LAW.**

This Agreement shall be construed, enforced, and administered according to the laws of the State of California. The Advisor and the Client agree that, should a disagreement arise as to the terms or enforcement of any provision of this Agreement, each party will in good faith attempt to resolve said disagreement prior to filing a lawsuit.

**16. APPROVAL; EXECUTION; SEVERABILITY.**


(a) This Agreement has been approved by the City Council (the "Governing Body") of the Client. The Governing Body hereby authorizes each designated person (a "Designated Person") identified on Annex I hereto, acting on behalf of the Client, to interact with the Advisor regarding the Fund, and the Advisor may rely on any instructions received from such Designated Person; provided however, that this Agreement may not be amended without the prior approval of the Governing Body. The City Manager may designate additional Designated Persons or remove Designated Persons from time to time by written notice to the Advisor.

(b) Each party to this Agreement represents and warrants that the person or persons signing this Agreement on behalf of such party is authorized and empowered to sign and deliver this Agreement for such party.

(c) The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by their authorized representatives as of the date set forth in the first paragraph of this Agreement.

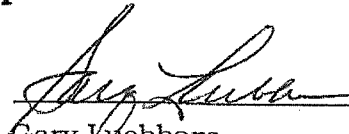
**PFM ASSET MANAGEMENT LLC**

By:   
Name: VALENTINE J. LINK, JR.  
Title: MANAGING DIRECTOR

Attachment A, Exhibit A

**CLIENT**

By:



Name:

Gary Laebbers

Title:


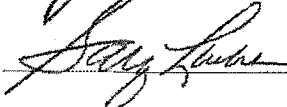
City Manager

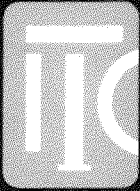


**ANNEX I**

**DESIGNATED PERSONS**

The following are Designated Persons pursuant to Section 16 of the foregoing Investment Advisory Agreement, and each such person's signature is set forth below.

<u>Name of Designated Person</u>	<u>Title</u>	<u>Signature</u>
Grace Leung	Acting Director of Finance	
Gary Luebbbers	City Manager	



# INSTITUTIONAL Trust & Custody

## Fee Schedule

### FOR PLANS

U.S. Bank National Association ("USBNA"); U.S. Bancorp Asset Management, Inc. ("USBAM"); U.S. Bancorp Fund Services, LLC, U.S. Bancorp Fund Services, Ltd., and Quintillion Limited (collectively, "USBFS"); and Quasar Distributors, LLC ("Quasar") are affiliates of U.S. Bancorp (collectively with U.S. Bancorp, "U.S. Bank"). This Fee Schedule, together with the governing service contract(s), describes services that U.S. Bank expects to provide to the USBNA account named below (the "Account") and compensation that U.S. Bank expects to receive therefor:

- Account Profile (Part A):** Describes the Account and U.S. Bank's role with respect to the Account.
- Fund-level Fees (Part B):** Identifies certain open-end investment companies registered under the Investment Company Act of 1940 (the "'40 Act") ("Mutual Funds"), 3(c)(1) or (7) funds ("Private Funds"), bank-maintained collective trust funds ("CTFs"), and nonbank-maintained group trusts ("Group Trusts") (each of the foregoing, a "Fund") as investments for Account assets and describes fees the Account pays on the investment of Account assets in the Fund (the "Fund Fees") and the fees received by U.S. Bank with respect to such investment in the Fund ("U.S. Bank Revenue Share").
- This Fee Schedule identifies only those Account investments that pay U.S. Bank Revenue Share. U.S. Bank has a financial interest in such Account investments, and the precise nature of such interest is described in this Fee Schedule. For a separate list of all Account investments, including those that pay no U.S. Bank Revenue Share, contact USBNA.
- Account-level Fees (Part C):** Describes fees the Account pays directly to U.S. Bank (the "Account Fees").
- Other Compensation (Part D):** Describes compensation that U.S. Bank receives other than U.S. Bank Revenue Share or Account Fees ("Other Compensation").
- Changes (Part E):** Describes circumstances under which this Fee Schedule may be changed.
- Approval (Part F):** Provides the customer's approval of the fees described herein.

### ACCOUNT PROFILE (PART A)

Account Name: City of Sunnyvale Section 115 Trust

1. The Account holds assets of (check A or B but not both):

- ☒ A. A 401(a) plan; a master trust for such plans; a 457(b) plan; a VEBA; a Section 115 trust; or a plan-assets fund.

If Account assets are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (an "ERISA-Covered Account"), then the undersigned is the "responsible plan fiduciary" for the services described herein as defined in U.S. Department of Labor Regulations Section 2550.408b-2 (the "Customer"). This Fee Schedule is intended to enable the Customer to find information about the services to be provided, and the compensation to be received therefor, by USBNA (and its affiliates and sub-contractors) pursuant to those regulations. The Customer should review the information before entering into, extending, or renewing a service contract with respect to the plan, and the plan's "administrator" (within the meaning of ERISA Section 3(16)(A)) (the "Plan Administrator") should review the information before preparing any Form 5500.

Conversely, if Account assets are not subject to ERISA, then the undersigned is the plan's primary fiduciary (the "Customer").

To the extent (if any) provided in the plan, plan participants have discretion to invest Account assets (to such extent, a "Participant-Directed Plan"). But, the plan does not permit plan participants to establish individually directed accounts ("IDAs") (sometimes also known as "brokerage windows", "self-directed brokerage accounts", or "personal brokerage accounts").

- ☐ B. A non-qualified deferred compensation arrangement (an "NQDC Account"), such as a salary-reduction arrangement, bonus-deferral plan, supplemental executive retirement plan, or excess-benefit plan. The undersigned is the grantor (the "Customer") of the arrangement's rabbi trust.
2. USBNA has discretion to invest Account assets to the extent (if any) provided in the Account's governing service contract(s) (to such extent, a "Managed Account"; otherwise, a "Directed Account").
3. If USBNA holds Account assets as trustee under a trust agreement with the Customer, then **the Customer is the plan sponsor.**

## FUND-LEVEL FEES (PART B)

FOR A DIRECTED ACCOUNT, U.S. Bank invests Account assets in the Funds and in other investments only as directed.

**Fund Fees.** Fund Fees, and U.S. Bank Revenue Share, are shown on the Fund tables; are based on investment in a Fund; and may vary by Fund and by class of shares or units issued by the Fund. Fund Fees are charged against the Fund's assets and reduce the Funds' average daily balance and investment yields. U.S. Bank Revenue Share is paid indirectly from the Fund Fees and is not in addition to the Fund Fees.

**Additional Investment-Related Information.** See a Mutual Fund's prospectus; a Private Fund's, CTF's, or Group Trust's governing documents (such as a limited liability company agreement, limited partnership agreement, trust agreement, or declaration of trust), offering documents (such as an offering circular, offering memorandum, private placement memorandum, prospectus, or summary description), and subscription documents (such as an adoption agreement or subscription agreement); and any Fund's fund-fact sheet (collectively, as applicable, the "Fund-Issuer's Disclosure") for Fund details not reflected in the Fund tables.

**Total Annual Operating Expenses ("TAOE").** From time to time, a Fund's service provider may voluntarily waive a portion of the fees it is entitled to receive for serving the Fund or refund such a portion to a Fund investor. The term TAOE, as used herein, means the TAOE before waivers and refunds. If a waiver is in effect, the Customer's approval of Fund Fees and U.S. Bank Revenue Share includes approval up to the TAOE; if the service provider terminates the waiver as provided in the Fund-Issuer's Disclosure, the approval persists.

**Estimating U.S. Bank Revenue Share.** To estimate the amount of U.S. Bank Revenue Share, multiply the Account's average balance in a Fund over the relevant year by the fee rate set forth in the appropriate sub-column of the Rate-of-Fees-Received-By column below. (For help with estimating average balances, contact USBNA.) Except for the rates of USBNA's fees from National Financial Services LLC (EIN: 04-3523567) ("NFS") and USBAM's fees, those fee rates are estimates. U.S. Bank calculates those estimated fee rates as follows: (i) Start with the total amount of fees received by the applicable U.S. Bancorp affiliate with respect to the Fund during the most recently ended calendar year; and (ii) Divide by the total value of all Fund shares serviced by the affiliate as of that calendar-year end. The sum of the fee rates in the sub-columns will not necessarily equal the TAOE, because the TAOE might be based on a different time period than such fee rates and because service providers unaffiliated with U.S. Bank might receive fees from the Fund. Actual fees may vary from such estimates and year to year.

**U.S. Bank's Refund of Certain Fund Fees (FOR A MANAGED ACCOUNT THAT IS AN ERISA-COVERED ACCOUNT):**  
U.S. Bank refunds to the Account U.S. Bank Revenue Share received with respect to any Fund in the Other Mutual Funds table.

**First American Funds.** USBAM is the investment advisor to the Mutual Funds in the First American Funds, Inc. family (the "First American Funds"). U.S. Bank may enter into agreements with First American Funds or with First American Funds' service providers (including investment advisers, administrators, transfer agents, or distributors) whereby U.S. Bank provides services to the First American Funds, including, as applicable, services provided by USBAM (investment advisory, shareholder services), by USBNA (custody, securities-lending), by USBFS (accounting, administration, transfer agency), and by Quasar (distribution, principal underwriting), and receives fees for these services. FOR A DIRECTED ACCOUNT, the fees received by Quasar may include distribution and service fees paid under a plan of distribution adopted pursuant to Rule 12b-1 under the Investment Company Act of 1940 ("12b-1 Fees").

Fund Name	Ticker	Share Class	Rate Of Fees Received By (%)				TAOE (%)	TAOE After Waiver (%) <sup>2</sup>
			USBAM <sup>1</sup>	USBNA <sup>1</sup>	USBFS <sup>1</sup>	Quasar <sup>1</sup>		
First American Government Obligs Z	FGZXX	Z	0.10	0.14	0.01	.	0.18	0.18

1— These fees are received from the Fund.

2— This amount is the TAOE less U.S. Bank's voluntary waiver, if any, of a portion of the fees it is entitled to receive for serving the Fund.

**Other Mutual Funds.** U.S. Bank may enter into agreements with Mutual Funds other than First American Funds ("Other Mutual Funds") or with Other Mutual Funds' service providers (including investment advisers, administrators, transfer agents, or distributors) whereby U.S. Bank provides services to the Other Mutual Funds, including, as applicable, services provided by USBNA (custody, securities lending, shareholder services, National Securities Clearing Corporation (NSCC) networking), by USBFS (accounting, administration, sub-transfer agency), and by Quasar (distribution, principal underwriting) and receives fees for these services. The fees received by Quasar may include 12b-1 Fees.

Fund Name	Ticker	Share Class	Rate Of Fees Received By (%)				TAOE (%)
			USBNA <sup>3</sup> (not from NFS)	USBNA <sup>4</sup> (from NFS)	USBFS <sup>3</sup>	Quasar <sup>3</sup>	

Vanguard High-Yield Corporate Adm	VWEAX	Other	0.00	0.00	0.00	0.00	0.13
BAIRD CORE PLUS BOND INSTITUTIONAL	BCOIX	Inst	0.02	0.00	0.01	0.00	0.3
DOUBLELINE CORE FIXED INCOME CL I	DBLFX	Inst	0.00	0.05	0.02	0.00	0.49
Prudential Total Return Bond Q	PTRQX	Inst	0.00	0.00	0.00	0.00	0.41
Vanguard Interm-Term Investment-Grde Adm	VFIDX	Other	0.00	0.00	0.00	0.00	0.1
JOHCM INTERNATIONAL SELECT FUND CL I	JOHIX	No Load	0.08	0.00	0.00	0.00	1
OPPENHEIMER INT'L SMALL COMPANY CL Y	OSMYX	Inst	0.05	0.00	0.00	0.00	1.16

Vanguard International Value Inv	VTRIX	Inv	0.00	0.00	0.00	0.00	0.4
Vanguard Total Intl Stock Index Admiral	VTIAX	Other	0.00	0.00	0.00	0.00	0.11
T. Rowe Price Dividend Growth I	PDGIX	Inst	0.00	0.00	0.00	0.00	0.51
Vanguard Total Stock Market Idx I	VITSX	Inst	0.00	0.00	0.00	0.00	0.04

3— These fees may be received from the Fund or its investment advisor, administrator, transfer agent, distributor, or other agent. USBNA does not receive shareholder-services fees it would otherwise receive from Nuveen Securities, LLC if the Account is an ERISA-Covered Account.

4— These fees are received from NFS for providing shareholder services and administration on behalf of NFS and Fidelity Brokerage Services LLC (collectively, “Fidelity”) to Mutual Funds that are available on Fidelity’s brokerage platform.

**Private Funds; CTFs; Group Trusts.** U.S. Bank may enter into agreements with Private Funds, CTFs, or Group Trusts or with their service providers, whereby U.S. Bank provides services to such Funds, including, as applicable, services provided by USBNA (custody) and by USBFS (accounting, administration, shareholder services, transfer agency) and receives fees for these services from the Fund or the Fund’s sponsor or agent. For the rate of any such fees charged to any Fund listed below, as well as that Fund’s TAOE, see the Fund-Issuer’s Disclosure.

n/a

### ACCOUNT-LEVEL FEES (PART C)

The Account Fees, which are in addition to Fund Fees and are paid directly to USBNA, are as follows. For a complete description of services that U.S. Bank expects to provide to the Account, see the Account’s governing service contract(s).

**Directed Trustee and Custodian fee:**

Provide account directed trustee and custodial services. The fee is calculated in tiers, based on the invested value of Account assets. The rates are as follows:

2.5 bps on the first \$ 100MM of Account assets

All of  serving you™



1.5 bps on the next \$ 100MM of Account assets

**Trade-processing fees  
(FOR A DIRECTED ACCOUNT):**

Process purchases, sales, or other transactions with respect to Account assets. The rates are as follows:

DTC-eligible securities, including ETFs (per transaction)	\$ <u>7.50</u>
Fed book-entry securities (per transaction)	\$ <u>7.50</u>
Domestic open-end mutual funds (per transaction)	\$ <u>7.50</u>
Collective investment funds (per transaction)	\$ <u>50.00</u>
Non-marketable/physical not otherwise listed here (per transaction)	\$ <u>15.00</u>
Private Funds (per transaction with LP or LLC)	\$ <u>50.00</u>

**Distribution fees:**

Distribute Account assets, such as benefit distributions or distributions in payment of plan expenses:

Other distributions

ACH payment to DDA at USBNA (per ACH payment)	\$ <u>2.00</u>
ACH payment to non-USBNA DDA (per ACH payment)	\$ <u>2.00</u>
Check (per check)	\$ <u>2.50</u>
Wire to domestic location (per wire)	\$ <u>5.00</u>

**Any other account-level fees:**

*Annual Trustee Fee \$1,000*

**Manner of Receipt.** Account Fees will be calculated (*check one and only one*):

- ☐ Monthly.
- ☐ Quarterly.
- ☐ Semi-annually.
- ☐ Annually.

Any asset-based Account Fees will be based on (*check one and only one*): ☐ the applicable Account balance (or portion thereof) as of the end of the billing period / ☐ the average applicable Account balance (or portion thereof) over the billing period. (The asset values used in such calculation may vary from the asset values reported on an asset statement because of timing issues, such as the posting of accruals or the late-pricing of securities.) Account Fees will then be (*check one and only one*):

- ☐ Billed and invoiced to the Customer with instructions on how to remit payment. The Customer hereby acknowledges that U.S. Bank may charge such fees directly to the Account if the Customer has not paid the invoice within sixty (60) calendar days of receiving it.
- ☐ Charged directly to the Account, with a subsequent advice to the Customer about the charges.

**OTHER COMPENSATION (PART D)**

**Float Income.** USBNA may hold (i) cash awaiting either investment or distribution to proper recipients or (ii) funds held for other purposes (for example, pending investment following a trade fail, because funds were received too late to be posted the same day, or

All of  serving you™



pursuant to an investment direction) in an interest-bearing or noninterest-bearing deposit account at USBNA and, thereby, earn and retain income on the float as part of its fees for servicing the Account. The payors of the float income are other financial institutions that borrow USBNA's deposits on a short-term basis.

For cash awaiting investment, the float period is generally no longer than one business day following the receipt by USBNA of such cash. However, if the Customer fails to provide adequate information concerning the allocation of contributions (or, if applicable, if there is no participant investment direction), the float period may last until such date as USBNA receives clear, comprehensive directions (in accordance with applicable trading deadlines) as to how such cash should be allocated and invested. For distributions made from the Account, the float period commences on the date the check, wire transfer, or electronic transfer is issued to a proper recipient and ends on the date the check is presented to USBNA for payment and settles or wire or electronic transfer is accepted by the receiving institution. The time period involved varies for each payment issued, though the average time such payments remain outstanding is one (1) to fifteen (15) calendar days from the date of issuance. For funds held for other purposes, the float period commences on the date good funds are deposited in the applicable deposit account and ends on the date the funds are withdrawn or transferred therefrom, such as ending upon actual trade settlement (for funds held pending investment following a trade fail) or on the next business day (for funds received too late to be posted the same day).

The float rate on (i) cash awaiting investment; (ii) un-cashed checks, pending wire transfers, and pending electronic transfers and (iii) funds held for other purposes is generally no more than the Target Federal Funds Rate (the "Target Rate") of interest applicable during the period involved. The Target Rate is the short-term rate objective announced by the Federal Reserve. The actual rate of interest paid between banks is the Effective Federal Funds Rate (the "Effective Rate"). The Effective Rate changes daily but is generally close to the Target Rate. Changes to the Target Rate are made by the Federal Reserve's Open Market Committee. The announced Target Rate can be obtained upon request from your account representative or can be found in the Wall Street Journal.

**Expenses.** Reasonable expenses, fees, costs, and other charges incurred by USBNA in providing services under the Account's governing service contract(s) (including, but not limited to, compensation, expenses, fees, costs, and other charges payable to service providers hired by USBNA under such contract(s)) are expenses of the Account, and the same will not be offset from USBNA's compensation unless required by applicable law.

**Foreign Securities or Deposits (FOR A DIRECTED ACCOUNT).** USBNA may hold cash in the form of U.S. dollars or foreign currency in a deposit account at a bank other than USBNA pending settlement of an FX transaction or foreign-securities purchase or for any other purpose related to the Account. If the other bank pays interest on such deposits ("Positive Interest"), then USBNA will retain the Positive Interest as part of USBNA's fees for servicing the Account. If the other bank charges interest on such deposits ("Negative Interest"), then USBNA will charge the Negative Interest directly to the Account.

**Investment Brokerage (FOR A DIRECTED ACCOUNT).** To the extent that the Customer has authorized the purchase of investment products for the Account through or from, and the sale of investment products from the Account through or to, USBNA, a separately identifiable department or division of USBNA known as the U.S. Bank Municipal Securities Group ("MSG"), or U.S. Bancorp's affiliate U.S. Bancorp Investments, Inc. ("USBI") (each such authorization, a "Brokerage Agreement"), then USBNA will implement investment directions received regarding such products by directing the attendant trading activity to such entities, unless the investment direction in a particular instance expressly requires use of an independent broker. For a complete description of the investment-brokerage services that U.S. Bank, MSG, or USBI expects to provide to the Account, and compensation that U.S. Bank expects to receive therefor, see the governing Brokerage Agreement(s).

**Soft Dollars (FOR A MANAGED ACCOUNT THAT IS AN ERISA-COVERED ACCOUNT).** Certain broker-dealers that execute trades for Managed Accounts provide USBNA with a variety of services, including access to the broker-dealer's executives and research reports, analysis, and forecasts prepared by the broker-dealer (collectively, "Proprietary Soft Dollars"), based on the total trading activity (and attendant brokerage commissions) that USBNA directs to the broker-dealer. The broker-dealers that paid Proprietary Soft Dollars with respect to Managed Accounts during the most recently ended calendar year are listed below; to determine which of those broker-dealers, if any, executed trades for the Managed Account, see the Managed Account's certified annual trust statement, including the section thereof entitled "Broker Commissions". Proprietary Soft Dollars do not have an identifiable dollar value, so the amount of Proprietary Soft Dollars cannot be estimated.

<b>Broker-Dealers That Paid Proprietary Soft Dollars</b>
--



Barclays Capital Inc.
ConvergEx Execution Solutions LLC
SEI Investments Distribution Co.

Certain broker-dealers that execute trades for an investment manager credit a portion of the attendant brokerage commissions towards the manager's purchase of a variety of services provided by third parties, including access to a research-firm's executives and research reports, analysis, and forecasts prepared by the research-firm (collectively, "Non-proprietary Soft Dollars"). U.S. Bank received no Non-proprietary Soft Dollars with respect to the Managed Account during the most recently ended calendar year.

## CHANGES (PART E)

This Fee Schedule may be amended in whole or in part at any time as follows:

- Upon USBNA's request, the Customer executes an amended and restated Fee Schedule and delivers it to USBNA; or
- USBNA proposes a change to the Customer in writing, by delivering an amended and restated Fee Schedule or another written notice, and the Customer does not deliver a written objection to USBNA within thirty (30) calendar days thereafter. USBNA will treat the Customer's silence as approval and implement the proposed change on that deadline as a direction of the Customer; or
- FOR AN ERISA-COVERED ACCOUNT: The Funds identified herein change because of re-investment of Account assets, or the U.S. Bank Revenue Share rates identified herein change because of re-negotiation of agreements with the Funds or their service providers, and USBNA delivers an accordingly amended and restated Fee Schedule (or another written notice of the change) to the Customer within sixty (60) calendar days after re-investment or rate-change. Such notice will be effective on the date of re-investment or rate-change.

This Fee Schedule need not be amended to reflect the Account's complete divestment from a Fund.

FOR A MANAGED ACCOUNT THAT IS AN ERISA-COVERED ACCOUNT: Notwithstanding anything herein to the contrary, this Fee Schedule may not be amended to add a new First American Fund or to change the Fund Fees and U.S. Bank Revenue Share set forth herein for a First American Fund, without the express written consent of the Customer. But, no such consent is required for a change that arises only from the application of U.S. Bank's methodology (as described herein) for calculating estimated fee rates.

FOR AN ACCOUNT THAT IS NOT AN ERISA-COVERED ACCOUNT: The Funds identified herein may change because of re-investment of Account assets, or the U.S. Bank Revenue Share rates identified herein may change because of re-negotiation of agreements with the Funds or their service providers. USBNA will not deliver any written notice of such change to the Customer, except insofar as the Customer thereafter asks USBNA for an amended and restated Fee Schedule and such change is reflected therein. The Customer's approval of Fund Fees and U.S. Bank Revenue Share includes approval of the Fund Fees and U.S. Bank Revenue Share that would be described in any such amended and restated Fee Schedule. As such, the Customer should request an amended and restated Fee Schedule periodically and in connection with re-investment of Account assets.

## APPROVAL (PART F)

**First American Funds (FOR A MANAGED ACCOUNT).** The Customer hereby acknowledges receiving the following information: Fund-level Fees (Part B) hereof describes Fund Fees and U.S. Bank Revenue Share of the identified First American Funds, including any differential among Fund Fees and U.S. Bank Revenue Share of different identified First American Funds. Account-level Fees (Part C) hereof describes Account Fees, including the rate of the account-level investment-management fee for Account assets invested in First American Funds. The prospectus for a First American Fund provides additional information about fees paid by the Fund. Investment in the First American Funds offers diversified cash management investments and other features that are appropriate for the Account, including that the Funds are valued daily, may be bought or sold on any business day, and prices of First American Funds are listed daily in most major newspapers and Internet financial sources. Account assets will not be invested in a share class that charges any sales commissions, loads, or transfer fees for buying or selling Fund shares. Account assets will not be invested in a share class that

charges any redemption fee for selling Fund shares, unless such redemption fee is paid only to the Fund and is disclosed in the Fund's prospectus at the time of purchase and sale of such shares. Account assets may only be eligible to be invested in certain share classes of some First American Funds; such limitations are described in the Funds' prospectuses.

**Acknowledgement.** The Customer hereby acknowledges that it:

- is independent of U.S. Bank and has fiduciary authority to enter into, extend, and renew contracts for the services described herein and to select the investments and approve the fees described herein.
- has received, read, and understands a fully-executed copy of the Account's governing service contract(s), including, to the extent applicable, the trust agreement, custody agreement, investment-management agreement, securities-lending agreement, or Brokerage Agreement(s).
- has received, read, and understands the Fund-Issuer's Disclosure for each Fund, including, but not limited to, the sections thereof describing fees, expenses, and compensation.
- understands and approves the services and fees described herein, including (a) the Fund Fees for each Fund, (b) U.S. Bank Revenue Share for each Fund, (c) the Account Fees, and (d) the Other Compensation.
- agrees to the process described herein for amending the Fee Schedule.
- may contact its Relationship Manager at USBNA regarding this Fee Schedule.
- FOR A MANAGED ACCOUNT, understands that, subject to the Account's investment guidelines, Account assets may be invested in any Fund.
- FOR A SEPARATELY MANAGED ACCOUNT (SMA) OR A UNIFIED MANAGED ACCOUNT (UMA), understands that, subject to the Account's investment guidelines, Account assets may be invested pursuant to Model Advice.
- FOR AN ERISA-COVERED ACCOUNT THAT IS A PARTICIPANT-DIRECTED PLAN, obtained and accepted delivery of prospectuses and such other documents that provide the information required for the Plan Administrator to comply with U.S. Department of Labor Regulations Section 2550.404a-5 regarding the plan's designated investment alternatives from the plan's third-party (that is, not U.S. Bank) recordkeeper or broker that makes the alternatives available to participants or beneficiaries (such as on a recordkeeping platform or similar mechanism).

IN WITNESS WHEREOF, the Customer hereby executes this Fee Schedule as of this 25 day of June, 2018.

Customer:

By:

[Signature]  
(Signature of Customer's authorized officer)

TIMOTHY J. KIRBY  
(Printed name of Customer's authorized officer)

Its:

Director of Finance  
(Title of Customer's authorized officer)

Effective Date:

6.25.18

Shares of registered investment companies, and units of private funds, bank-maintained collective trust funds, and nonbank-maintained group trusts, are not deposits or obligations of, or endorsed or guaranteed in any way by, any bank, including any bank affiliated with U.S. Bancorp. Nor does the Federal Deposit Insurance Corporation,

the Federal Reserve Board, or any other governmental agency insure such products. An investment in such products involves investment risks, including the possible loss of principal, due to fluctuations in each product's net asset value. Deposits products are offered by U.S. Bank National Association, member FDIC.

**EXHIBIT C – INVESTMENT POLICY STATEMENT**

**INVESTMENT POLICY STATEMENT  
FOR  
CITY OF SUNNYVALE  
PENSION TRUST**

Recommended May 8, 2018

## **TABLE OF CONTENTS**

<b><u>SECTION</u></b>	<b><u>PAGE</u></b>
Purpose .....	1
Investment Authority .....	1
Statement of Investment Objectives .....	2
Investment Guidelines .....	2
Time Horizon	
Liquidity and Diversification	
Asset Allocation	
Rebalancing Philosophy	
Risk Tolerance	
Performance Expectations	
Social and Environmental Responsibility	
Selection of Investment Managers.....	5
Guidelines for Portfolio Holdings .....	5
Direct Investments by Advisor	
Limitations on Managers' Portfolios	
Portfolio Risk Hedging	
Prohibited Portfolio Investments	
Safekeeping	
Control Procedures .....	8
Review of Investment Objectives	
Review of Investment Performance	
Voting of Proxies	
Adoption of Investment Policy Statement.....	9

The City of Sunnyvale, California (the “City”) has established the City of Sunnyvale Pension Trust (the “Trust”). The Trust is intended to provide for funding of pension retirement benefits (“Pension”) for employees who meet the age and service requirements outlined in the City’s plan documents. The Trustees of the Trust hereby adopt this Investment Policy Statement (“Policy Statement”) for the following purposes.

### **Purpose**

The main investment objective of the Trust is to achieve long-term growth of Trust assets by maximizing long-term rate of return on investments and minimizing risk of loss to fulfill the City’s current and long-term Pension obligations.

The purpose of this Policy Statement is to achieve the following:

1. Document investment objectives, performance expectations and investment guidelines for Trust assets.
2. Establish an appropriate investment strategy for managing all Trust assets, including an investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Trust.
3. Establish investment guidelines to control overall risk and liquidity.
4. Establish periodic performance reporting requirements that will effectively monitor investment results and ensure that the investment policy is being followed.
5. Comply with all fiduciary, prudence, due diligence and legal requirements for Trust assets.

### **Investment Authority**

The City oversees certain policies and procedures related to the operation and administration of the Trust. The City will have authority to implement the investment policy and guidelines in the best interest of the Trust to best satisfy the purposes of the Trust. In implementing this Policy Statement, the City believes it may delegate certain functions to:

1. An investment advisor (“Advisor”) to assist the City in the investment process and to maintain compliance with this Policy Statement. The Advisor may assist the City in establishing investment policy, objectives, and guidelines; selecting investment managers (“Managers”) or mutual funds and other common investment vehicles as specifically approved by the City from time to time (“Investments”); reviewing Managers and Investments over time; measuring and evaluating performance; and other tasks as deemed appropriate. The Advisor may also select Investments with discretion to purchase, sell, or hold specific securities that will be used to meet the Trust’s investment objectives. Neither the Advisor nor any Manager shall ever take possession of any securities, cash or other assets of the Trust, all of which shall be held by the

custodian. The Advisor will: a) adjust asset allocation for the Fund subject to the guidelines and limitations set forth in this Policy Statement; b) select investment managers (“Managers”) and strategies consistent with its role as a fiduciary; c) monitor and review Managers and measure and evaluate their performance against their peers based upon the performance of the total funds under their direct management; and d) execute other tasks as deemed appropriate in its role as Advisor for Fund assets. Neither the Advisor nor any Manager shall ever take possession of any securities, cash or other assets of the Trust, all of which shall be held by the custodian. The Advisor must be registered with the Securities and Exchange Commission.

2. A custodian to maintain possession of physical securities and records of street name securities owned by the Trust, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales, among other duties. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Trust.
3. A trustee, such as a bank trust department, if the Trust does not have its own Trustees, to assume fiduciary responsibility for the administration of Trust assets; provided, however, that if the City shall have appointed an investment advisor, then any trustee appointed under this paragraph shall have no authority with respect to selection of investments.
4. Specialists such as attorneys, auditors, actuaries, and retirement plan consultants, and others to assist the City in meeting its responsibilities and obligations to administer Trust assets prudently.

### **Statement of Investment Objectives**

The investment objectives of the Trust are as follows:

1. To invest assets of the Trust in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of Trust beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses from individual investments.
2. To provide for funding and anticipated withdrawals on a continuing basis for payment of benefits and reasonable expenses of operation of the Trust.
3. To enhance the value of Trust assets in real terms over the long-term through asset appreciation and income generation, while maintaining a reasonable investment risk profile.
4. To minimize principal fluctuations subject to performance expectations over the Time Horizon (as defined below).
5. To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in this Policy Statement under the section labeled “Performance Expectations”.

## **Investment Guidelines**

Within this section of the Policy Statement, several terms will be used to articulate various investment concepts. The descriptions are meant to be general and may share investments otherwise considered to be in the same asset class. They are:

“Growth Assets” - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on capital appreciation. Investments within the Growth Assets category can include income and risk mitigating characteristics, so long as the predominant investment risk and return characteristic is capital appreciation. Examples of such investments or asset classes are: domestic and international equities or equity funds and certain real estate investments.

“Income Assets” - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on income generation. Investments within the Income Assets category can include capital appreciation and risk mitigating characteristics, so long as the primary investment risk and return characteristic is income generation. Examples of such investments or asset classes are: fixed-income securities, guaranteed investment contracts and certain real estate investments.

“Real Return Assets” - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on real returns after inflation. Investments within the Real Return category can include inflation protected securities, commodities and certain real estate investments.

### **Time Horizon**

The Trust’s investment objectives are based on a long-term investment horizon (“Time Horizon”) of rolling five years or longer. Interim fluctuations should be viewed with appropriate perspective. The City has adopted a long-term investment horizon such that the risks and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

### **Liquidity and Diversification**

In general, the Trust may hold some cash, cash equivalent, and/or money market funds for near-term Trust benefits and expenses (the “Trust Distributions”). The City initially expects that it will continue to pay benefits from its current funds, but reserves the right to change that procedure at any time with reasonable notice to the Advisor. All remaining assets will be invested in longer-term investments and shall be diversified with the intent to minimize the risk of long-term investment losses. Consequently, the total portfolio will be constructed and maintained to provide diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries.

### **Asset Allocation**

The City believes that to achieve the greatest likelihood of meeting the Trust’s investment objectives and the best balance between risk and return for optimal diversification, assets will be invested in accordance with the targets for each asset class as follows to achieve an average total annual rate of



return that is equal to or greater than the Trust's actuarial discount rate as described in the section titled "Performance Expectations".

<u>Asset Classes</u>	<u>Asset Weightings</u>	
	<u>Range</u>	<u>Target</u>
<b>Growth Assets</b>		
Domestic Equity	23% - 43%	33%
International Equity	0% - 37%	17%
Other	0% - 20%	0%
<b>Income Assets</b>		
Fixed Income	30% - 70%	50%
Other	0% - 20%	0%
<b>Real Return Assets</b>	0% - 20%	0%
<b>Cash Equivalents</b>	0% - 20%	0%

The Advisor and each Manager will be evaluated against their peers on the performance of the total funds under their direct management.

#### Rebalancing Philosophy

The asset allocation range established by this Policy Statement represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside Policy Statement ranges. When allocations breach the specified ranges, the Advisor will rebalance, and cause the Managers to rebalance the assets within the specified ranges. The Advisor may also rebalance assets based on market conditions.

#### Risk Tolerance

Subject to investment objectives and performance expectations, the Trust will be managed in a style that seeks to minimize principal fluctuations over the established Time Horizon.

#### Performance Expectations

Over the long-term five years or longer, the performance objective for the Trust will be to achieve an average annual rate of return equal to or greater than 6.0%. Additionally, it is expected that the annual rate of return on Trust assets will be commensurate with the then-prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Trust investments and blended benchmark comparisons for the Trust in its entirety.

### Social and Environmental Responsibility

The City has a desire to encourage investments that support sound environmental, social and governance (ESG) investing. While the portfolio may not be classified as an ESG portfolio, investments in entities that support community well-being through safe and environmentally sound practices and fair labor practices and equality of rights regardless of sex, race, age, disability, or sexual orientation is encouraged. Investments are discouraged in entities that manufacture tobacco products, firearms, or nuclear weapons and are direct or indirect investments to support the production or drilling of fossil fuels.

### Selection of Investment Managers

The Advisor shall prudently select appropriate Managers to invest the assets of the Trust. Managers must meet the following criteria:

- The Manager must provide historical quarterly performance data compliant with Global Investment Performance Standards (GIPS®), Securities & Exchange Commission (“SEC”), Financial Industry Regulatory Agency (“FINRA”) rules, or industry recognized standards, as appropriate.
- The Manager must provide detailed information on the history of the firm, key personnel, support personnel, key clients, and fee schedule (including most favored nation clauses). This information can be a copy of a recent Request for Proposal (“RFP”) completed by the Manager or regulatory disclosure.
- The Manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- The investment professionals making the investment decisions must have a minimum of three (3) years of experience managing similar strategies with at their current firm or at a previous firm.
- Where other than common funds such as mutual funds or commingled trusts are utilized, the Manager must confirm receipt, understanding and adherence to this Policy Statement and any investment specific policies by signing a consent form provided to the Manager prior to investment of Trust assets.

### Guidelines for Portfolio Holdings

#### Direct Investments by Advisor

Every effort shall be made, to the extent practical, prudent and appropriate, to select investments that have investment objectives and policies that are consistent with this Policy Statement (as outlined in the following sub-sections of the “Guidelines for Portfolio Holdings”). However, given the nature of the investments, it is recognized that there may be deviations between this Policy Statement and the objectives of these investments.

## Limitations on Managers' Portfolios

### EQUITIES

No more than the greater of 5% or the weighting in the relevant index (Russell 3000 Index for U.S. issues and MSCI ACWI ex-U.S. for non-U.S. issues) of the total equity portfolio valued at market may be invested in the common equity of any one corporation, ownership of the shares of one company shall not exceed 5% of those outstanding, and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard (GICS).

Domestic Equities: Other than the above constraints, there are no quantitative guidelines as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the Manager.

International Equities: The overall non-U.S. equity allocation should include a diverse global mix that is comprised of the equity of companies from multiple regions and sectors.

### FIXED INCOME

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets as calculated by the Advisor shall be investment grade, based on the rating of one of the Nationally Recognized Statistical Rating Organizations ("NRSROs").

### OTHER ASSETS

Alternatives may consist of non-traditional asset classes such as real estate, private equity, and commodities, when deemed appropriate. The total allocation to this category may not exceed 20% of the overall portfolio. Prior to adding an allocation to any of the following asset classes, with the exception of publicly-traded mutual fund vehicles, the Advisor shall receive approval from the City.

Hedge Funds: Primary objective shall be to enhance the risk-return profile of the overall portfolio. This can be accomplished by using a combination of hedge fund strategies that may enhance returns at a reasonable level of risk or reduce volatility while providing a reasonable level of return. These asset classes may differ from traditional public market asset classes due to the use of certain strategies including short-selling, leverage, and derivatives. Hedge funds may also invest across asset classes. The use of direct hedge funds and fund-of-hedge funds are allowed. For purposes of asset allocation targets and limitations, single strategy hedge funds will be categorized under the specific asset class of the fund. For example, a long/short U.S. equity fund will be categorized as "Other" in the Growth Assets category while a long/short credit fund will be categorized as "Other" in the Income Assets category. Multi-strategy hedge funds that cannot be easily categorized under one asset class will be included in "Other" under either the Growth Assets or Income Assets category depending on the risk-return profile of the strategy.

Private Equity: Private equity is less liquid than publicly traded equity securities and can provide returns that are greater than what is available in publicly traded markets. The private equity portfolio may include investments in a variety of commingled/partnership and direct investment vehicles including, but not limited to, venture capital, buyout, turnaround, mezzanine, distressed security, and special situation funds. The private equity portfolio is recognized to be long-term in nature and highly illiquid. Due to their higher risk, private equity investments are expected to provide higher returns than publicly traded equity securities. For purposes of asset allocation targets and limitations, these funds will be categorized as “Other” under the Growth Assets category.

Real Estate: Real estate assets will be held only in diversified investments, primarily holding Real Estate Investment Trusts (REITs) securities and/or non-publicly traded private real estate and shall be diversified across a broad array of property types and geographic locations. Investments of this type are designed to provide a stable level of income combined with potential for price appreciation, particularly in periods of unexpected inflation. For private real estate, the illiquid, long-term nature should be considered. For purposes of asset allocation targets and limitations, publicly traded REITs will be categorized as “Other” under the Growth Assets category. Depending on the investment characteristics of a private real estate fund, the fund will be categorized as “Other” under either the Income Assets category, for example, a core real estate fund, or under the Growth Assets category, for example, an opportunistic real estate fund where capital gains are expected to make up a significant portion of the total return.

Inflation Hedge: Shall consist of pooled vehicles holding among other assets: Treasury Inflation Protected Securities (“TIPS”), commodities or commodity contracts, index-linked derivative contracts certain real estate or real property and the equity of companies in businesses thought to hedge inflation. Inflation hedge assets will be reported in the Real Return Assets category.

### CASH EQUIVALENTS

Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940.

### Portfolio Risk Hedging

Portfolio investments designed to hedge various risks including volatility risk, interest rate risk, etc. are allowed to the extent that the investments are not used for the sole purpose of leveraging Trust assets. One example of a hedge vehicle is an exchange traded fund (“ETF”) which takes short positions.

### Prohibited Investments

Except for purchase within authorized investments, securities having the following characteristics, are not authorized and shall not be purchased: letter stock and other unregistered securities, commodities or commodity contracts or private placements (with the exception of Rule 144A securities). Further, derivatives, options, or futures for the sole purpose of direct portfolio leveraging are prohibited. Direct ownership of real estate, natural resource properties such as oil, gas or timber and the purchase of collectibles is also prohibited.

### Safekeeping

All assets of the Trust shall be held by a custodian approved by the City and in consultation with the Advisor for safekeeping of Trust assets. The custodian shall produce statements on a monthly basis, listing the name and value of all assets held, and the dates and nature of all transactions in accordance with the terms in the Trust Agreement. Investments of the Trust not held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts. Investments and portfolio securities may not be loaned.

### Control Procedures

#### Review of Investment Objectives

The Advisor shall review annually and report to the City the appropriateness of this Policy Statement for achieving the Trust's stated objectives. It is not expected that this Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in this Policy Statement.

#### Review of Investment Performance

The Advisor shall report on a quarterly basis to the City the investment performance of the Trust. In addition, the Advisor will be responsible for keeping the City advised of any material change in investment strategy, Managers, and other pertinent information potentially affecting performance of the Trust.

The Advisor shall compare the investment results on a quarterly basis to appropriate peer universe benchmarks, as well as market indices in both equity and fixed income markets. Examples of benchmarks and indexes that will be used include the Russell 3000 Index for the broad U.S. equity strategies; the S&P 500 Index for large cap U.S. equities, Russell 2000 Index for small cap U.S. equities, MSCI ACWI ex U.S. for broad-based non-U.S. equity strategies; MSCI Europe, Australasia, and Far East (EAFE) Index for developed international equities, Barclays Capital Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-bill for cash equivalents. The Russell 3000 Index will be used to benchmark the U.S. equities portfolio; the MSCI ACWI ex-U.S. Index will be used to benchmark the non-U.S. equities portfolio; the Barclays U.S. Aggregate Bond Index will be used to benchmark the fixed-income portfolio. The categories "Other" will be benchmarked against appropriate indices depending on the specific characteristics of the strategies and funds used.

### Voting of Proxies


The City recognizes that proxies are a significant and valuable tool in corporate governance. The voting rights of individual stocks held in separate accounts or collective, common, or pooled funds will be exercised by the investment managers in accordance with their own proxy voting policies. The voting rights of funds will be exercised by the Advisor.

### **Adoption of Investment Policy Statement**

Any changes and exceptions to this Policy Statement will be made in writing and adopted by the City. Once adopted, changes and exceptions will be delivered to each Manager, as appropriate, by the Advisor.

#### **Approved by the City of Sunnyvale:**

Represented by:

  
\_\_\_\_\_  
Director of Finance

6.22.2018  
Date