



MEMO

Department

To: Finance and Personnel Committee
From: Finance Director Van Rossum
Date: 09/15/2025
Re: Adoption of Revised Investment Policy Statement

Background information:

The City of Kaukauna and Kaukauna Utilities Deferred Compensation Committee undertook a review of the Investment Policy Statement governing the City's 401(a) and 457(b) Deferred Compensation Plans. The policy was originally adopted in 2018 and has guided the administration, monitoring, and evaluation of plan investment options and fiduciary responsibilities. As part of the Committee's regular oversight, the updated policy was reviewed in August 2025 to confirm continued alignment with plan objectives, participant needs, and industry best practices. Following its review, the Committee determined no substantive revisions were necessary. To maintain compliance with governance practices and reaffirm oversight, the Committee intends to re-sign and re-adopt the policy in its current form. Attached to this memo is both the revised and original Policy.

Strategic Plan:

This action aligns with the City's Strategic Plan by:

- **Supporting Organizational Sustainability:** Ensuring employee benefit programs remain current, transparent, and consistent with best practices.
- **Promoting Fiscal Responsibility:** Reinforcing fiduciary oversight of the City's retirement investment offerings, which protects both employees and the city from unnecessary risk.
- **Attracting and Retaining Talent:** Maintaining a well-structured deferred compensation program enhances the City's ability to recruit and retain high-quality employees by offering competitive retirement planning tools.

Although this review does not directly advance infrastructure or community projects, it strengthens the internal systems that allow the city to operate efficiently and remain an employer of choice.

Budget:

There is no budgetary impact associated with reaffirming and signing the updated Investment Policy Statement. The policy itself establishes guidelines for oversight and monitoring of existing investment providers and options but does not create new expenses for the City or its employees.

Staff Recommended Action:

Staff recommend the Finance & Personnel Committee endorse the Committee's review and reaffirmation of the Deferred Compensation Investment Policy Statement.

Specifically, staff recommend Council authorize the Deferred Compensation Committee to sign the updated policy dated August 18, 2025, thereby reaffirming the City's continued oversight of employee deferred compensation plans without substantive changes.

**City of Kaukauna and Kaukauna Utilities
401(a) and 457(b) Deferred Compensation Plans
Revised August 18, 2025**

Investment Policy Statement

I. PURPOSE OF INVESTMENT POLICY STATEMENT

The Deferred Compensation Committee (Committee) of the City of Kaukauna and Kaukauna Utilities 401(a) and 457(b) Deferred Compensation Plans (Plans) has adopted this Investment Policy Statement (Policy), and directs that it apply to all Plan assets, the Plan administrator, investment managers, investment consultants and to all other fiduciaries acting on behalf of, or under the direction of the Committee.

This Policy is intended to provide guidelines, limitations, and required actions on the part of the Committee and service providers for selecting, managing, and monitoring the investment options (Options) made available to participants and/or beneficiaries (Participants).

This Policy is intended to provide an anchor of stability in times of rapidly changing economic, business and capital market conditions. However, the investment policies described in this statement are subject to change. Moreover, the existence of this Policy is not intended to restrict or limit the discretion, control or authority of the Committee or any fiduciary to which such discretion, control, or authority has been delegated, to make decisions in the best interest of Plan Participants as circumstances may require.

Periodically, but no less often than once a year, the Committee will meet to discuss the following:

- A. Adherence to this Policy.
- B. The effectiveness of Plan administration, Participant communications and other Participant services to Participant investment success including the evaluation of Participant concerns.
- C. Employee information including demographics, participation, contribution rates, and use of Options by Participants.
- D. The fit and appropriateness of this Policy with the overall Plan objectives; and any changes that are needed to the Plan Options, Plan administration, or Participant services.
- E. The reasonableness of the fees incurred by the Plan and confirm that the Plan and its Participants are receiving a fair value in exchange for the fees rendered.

In addition, the Committee may discuss all items within this section for each Option, the Service Provider/Record Keeper, and Consultants. Any party may call more frequent meetings if significant concerns arise about any Option, strategy, personnel, organizational structure, or any other factors relating to the welfare of the Plan.

The minutes of the Committee's deliberations shall be recorded to provide a written record of the Committee's due diligence process. Minutes shall be voted on and approved at the subsequent meeting.

II. OBJECTIVES OF THE PLAN

The Committee is charged with following the Policy in all actions it takes involving the Plan and acts as the named fiduciary. The Plan permits all Participants to direct the investments for their individual Plan accounts among the Plan's Options.

The Participants bear the ultimate risk and responsibility for their individual Plan investment elections and investment performance over time. Although the Plan is not covered under ERISA, in order to conform with best-practice safe harbor provisions as specified in ERISA Section 404(c), the Plan shall:

- A. Provide Participants at least three Options with different risk/return profiles;
- B. Provide Participants with access to sufficient information so that the Participant can make an informed decision about the selection of Options; and
- C. Permit Participants to change Options on a daily basis.

Investment success largely depends on following well established principles of portfolio investing, including the use of well diversified portfolios intended to maximize long term returns for the level of risk chosen by each individual Participant. The Plan will offer Participants a diverse set of Options, selected pursuant to the criteria in SECTION IV of this Policy.

The objective is that each Participant will select a combination of Options that generally optimizes the Participant's overall investment portfolio consistent with their individual circumstances, goals, time horizons, risk capacity and risk tolerance.

Proxy voting for mutual fund shares shall be passed through to Participants in accordance with the Service Provider/Record Keeper agreement or other applicable document. Proxy voting for securities held in each option's portfolio, managed by an option/investment manager, shall be handled by the investment manager consistent with its fiduciary responsibilities and the investment guidelines governing the account.

III. RESPONSIBILITIES

Participants: Each Plan Participant is best positioned to make decisions regarding the allocation of assets among the various Options offered by the Plan in order to best achieve his/her investment and retirement goals. As a result, the amount to be invested in each option, if any, shall be determined by each Plan Participant.

Each Participant has a responsibility to pursue the education necessary to make sound investment decisions. This education may include, but is not limited to, materials provided by the Plan, Service Provider/Record Keeper, investment managers and/or the consultant. The Participants bear the risk of the investment results from the Options chosen.

Plan Sponsor: The Committee is responsible for establishing all policies governing the Plan and the selection of all professional service providers to the Plan, including, but not limited to, the following:

- A. Service Provider/Record Keeper
- B. Investment Managers / Options

C. Investment Consultant

D. Legal Counsel

Service Provider/Record Keeper: The Service Provider/Record Keeper selected by the Plan is responsible for maintaining accurate and up-to-date account records for all individual Participants in the Plan. These records shall include daily valuations of each Participant's aggregate investments and each Option.

The Service Provider/Record Keeper shall also be responsible for providing each Plan Participant with access to sufficient information to select and manage their investments. The information and services provided shall include enrollment, education, exchanges, transfers, distributions, periodic statements and any other responsibilities that may be further defined in the agreement between the Service Provider/Record Keeper and the Plan.

Investment Managers: The investment managers of the Options selected by the Plan shall be responsible for the selection, purchase and sale of the individual securities held in their respective portfolios. Each investment manager has a responsibility to discharge their portfolio management duties within the guidelines outlined in their fund prospectus or other governing document.

Investment Consultant: The investment consultant shall assist the Plan in developing appropriate investment policies and guidelines for the Plan, recommending Options to be offered to Plan Participants and the ongoing monitoring and review of those Options. The investment consultant shall provide periodic reports outlining the investment performance results of each Option and any further information or services that may be outlined in the agreement between the consultant and Public Plan.

IV. INVESTMENT OPTION SELECTION & EVALUATION

The following characteristics shall be considered in selecting and monitoring Options, whether offered as a stand-alone Option, and/or as a fund included in a portfolio Option:

- A. **Manager tenure and corporate stability.** It is the intention of the Plan to consider and evaluate an Option's manager tenure as well as the corporate stability of the company offering the Option before including a particular investment vehicle as a Participant Option. In general, the Option's manager must have a three-year track record with the specific Option to be considered a viable, new Option by the Plan for use by Participants. Investment manager change, significant turnover to a portfolio management team or adverse developments at the fund company level of an existing Option shall warrant heightened scrutiny as defined later in this section.
- B. **Manager, style, asset and process consistency.** It is the intention of the Plan to consider and evaluate the manager, style, asset level and process consistency of current Options as well as new Options under consideration by the Plan. Any management turnover, substantial style drift, significant assets flows or investment process change at the fund level will result in a review of an existing Option's position in the Plan.
- C. **Investment costs and management fees.** It is the intention of the Plan to consider and evaluate that the overall costs and ongoing management fees of current Options as well as new Options under consideration are reasonable when compared to other similar and comparable investment funds.

D. Performance and risk measures. In addition to the qualitative criteria detailed above, it is the intention of the Plan to consider and evaluate the ongoing performance and risk profile of each Option using the following quantitative criteria (net of fees):

1. When there are four consecutive quarters of performance where the return is less than the appropriate benchmark and the rank is below the 75th percentile of the appropriate peer group.
2. Performance over the three and five-year trailing periods that exceeds the appropriate benchmark.
3. Performance over the three and five-year trailing periods that ranks in the top 50th percentile of the appropriate peer group.
4. Sharpe ratio over the three and five-year trailing period that ranks in the top 50th percentile of the appropriate peer group. The Sharpe ratio is defined as an investment's excess return (over the risk-free rate) divided by the standard deviation (risk) of the excess return.
5. Positive Alpha over the three and five-year trailing period relative to the appropriate benchmark. Alpha is a measure of risk-adjusted performance that represents the portion of an investment's historical performance that is not explained by movements in the benchmark index.

The Committee, in conjunction with the Investment Consultant, will monitor the results of the Plan's Options against the criteria contained in items A through D on a quarterly basis. These quarterly reviews will evaluate each Option's success against the evaluation criteria as well as the Option's position in the overall menu of available Options. This framework is not intended to be an exhaustive set of criteria by which any Option is selected or evaluated on an ongoing basis.

The review structure contained above can be used for the evaluation of most Plan Options. However, there are several instances where Options offered to Participants may not fit into one or more portions of this framework. As such, the Committee recognizes the need to adopt a flexible approach when analyzing the success of the Plan's index, money market, stable value, and target date (or risk-based lifecycle) Options. Traditional methods of benchmarking returns may not fully assess the effectiveness or fully appreciate the risks of these types of Options. While all Options will be reviewed within the context of their risk/reward profiles, different qualitative and quantitative factors may receive greater emphasis when evaluating these Options.

Options that consistently fail to meet performance-based objectives, or have experienced management turnover, substantial style drift, significant assets flows, investment process change at the fund level or have other qualitative issues of concern will subject the Option to "heightened scrutiny" to remain in the Plan. Heightened scrutiny may include a more detailed evaluation of the Option's organization, investment performance, risk characteristics relative to the appropriate benchmark and peer group over a variety of trailing, rolling and annual time periods, as well as different market cycles, including up markets and down markets. The purpose of heightened scrutiny is to determine if the Option's failure to meet organizational and/or performance objectives is reasonable, explained and/or consistent with the stated investment philosophy, process and investment objectives of that Option in the context of the existing market environment.

V. INVESTMENT OPTION REMOVAL

Within the context of quarterly reviews, the Option evaluation matrix, and Options under heightened scrutiny, the ongoing suitability of an Option in the Plan shall be questioned and will lead to removal when:

- A. Performance is unjustifiable;
- B. Risk characteristic are unacceptable;
- C. Qualitative issues of insurmountable concern exist; or
- D. Lack of confidence that an Option will be able to achieve performance and risk objectives going forward.

The Committee shall have full discretion to retain or replace any Option. The ultimate decision to remove/replace an Option shall be made when the Committee believes such removal/replacement is in the best interests of the Plan and its Participants. Any decision to remove an Option shall be treated on an individual basis.

VI. INVESTMENT OPTION MAPPING POLICY

It shall be the general policy of the Plan to apply the following procedures when mapping Participant assets in situations of Option removal and absent participant election following notification of the removal of an Option in which they have a balance or future contribution allocation.

- A. The Plan will map Participant assets and future contribution allocations in the discontinued Option to an existing or new Option that is reasonably similar in terms of risk and return to the discontinued Option. Unless presented with clear evidence to the contrary, the Plan considers Options within the same asset class as being reasonably similar in terms of risk and return; or

The decision to map Participants to an Option that is reasonably similar in terms of risk and return to the discontinued Option shall be made on a case by case basis as deemed in the best interest of the Plan Participants and beneficiaries under the prevailing circumstances.

In all situations the Plan shall provide Participants notification of the qualified change at least 30 days but not more than 60 days prior to the effective date of the change. The notice shall inform Participants that the notified change will occur unless instructions are received to the contrary.

Revised August 18, 2025

**The Deferred Compensation Committee for
The City of Kaukauna and Kaukauna Utilities 401(a) and 457(b) Plans**

_____	_____
_____	_____
_____	_____

MEMORANDUM

AGENDA ITEM # 7

DATE: November 8, 2018
TO: Utility Commission
FROM: Denise Vanderloop *Denise*
RE: Adoption of Investment Policy Statement

The Deferred Compensation Committee met on September 18, 2018 to review the transition completion to ICMA-RC, second quarter 2018 investment report and establish the overall Investment Policy Statement. The overall purpose of this document is to have a document that outlines the purpose of the investment policy statement, objectives of the plan, responsibilities, investment option selection and evaluation, investment option removal and investment option mapping policy. Attached is the formal document of the Investment Policy Statement. The City Attorney has reviewed this document.

Recommendation: Commission approves the adoption of the Investment Policy Statement.

**City of Kaukauna and Kaukauna Utilities
401(a) and 457(b) Deferred Compensation Plans**

Investment Policy Statement

I. PURPOSE OF INVESTMENT POLICY STATEMENT

The Deferred Compensation Committee (Committee) of the City of Kaukauna and Kaukauna Utilities 401(a) and 457(b) Deferred Compensation Plans (Plans) has adopted this Investment Policy Statement (Policy), and directs that it apply to all Plan assets, the Plan administrator, investment managers, investment consultants and to all other fiduciaries acting on behalf of, or under the direction of the Committee.

This Policy is intended to provide guidelines, limitations, and required actions on the part of the Committee and service providers for selecting, managing, and monitoring the investment options (Options) made available to participants and/or beneficiaries (Participants).

This Policy is intended to provide an anchor of stability in times of rapidly changing economic, business and capital market conditions. However, the investment policies described in this statement are subject to change. Moreover, the existence of this Policy is not intended to restrict or limit the discretion, control or authority of the Committee or any fiduciary to which such discretion, control, or authority has been delegated, to make decisions in the best interest of Plan Participants as circumstances may require.

Periodically, but no less often than once a year, the Committee will meet to discuss the following:

- A. Adherence to this Policy.
- B. The effectiveness of Plan administration, Participant communications and other Participant services to Participant investment success including the evaluation of Participant concerns.
- C. Employee information including demographics, participation, contribution rates, and use of Options by Participants.
- D. The fit and appropriateness of this Policy with the overall Plan objectives; and any changes that are needed to the Plan Options, Plan administration, or Participant services.
- E. The reasonableness of the fees incurred by the Plan and confirm that the Plan and its Participants are receiving a fair value in exchange for the fees rendered.

In addition, the Committee may discuss all items within this section for each Option, the Service Provider/Record Keeper, and Consultants. Any party may call more frequent meetings if significant concerns arise about any Option, strategy, personnel, organizational structure, or any other factors relating to the welfare of the Plan.

The minutes of the Committee's deliberations shall be recorded to provide a written record of the Committee's due diligence process. Minutes shall be voted on and approved at the subsequent meeting.

II. OBJECTIVES OF THE PLAN

The Committee is charged with following the Policy in all actions it takes involving the Plan and acts as the named fiduciary. The Plan permits all Participants to direct the investments for their individual Plan accounts among the Plan's Options.

The Participants bear the ultimate risk and responsibility for their individual Plan investment elections and investment performance over time. Although the Plan is not covered under ERISA, in order to conform with best-practice safe harbor provisions as specified in ERISA Section 404(c), the Plan shall:

- A. Provide Participants at least three Options with different risk/return profiles;
- B. Provide Participants with access to sufficient information so that the Participant can make an informed decision about the selection of Options; and
- C. Permit Participants to change Options on a daily basis.

Investment success largely depends on following well established principles of portfolio investing, including the use of well diversified portfolios intended to maximize long term returns for the level of risk chosen by each individual Participant. The Plan will offer Participants a diverse set of Options, selected pursuant to the criteria in SECTION IV of this Policy.

The objective is that each Participant will select a combination of Options that generally optimizes the Participant's overall investment portfolio consistent with their individual circumstances, goals, time horizons, risk capacity and risk tolerance.

Proxy voting for mutual fund shares shall be passed through to Participants in accordance with the Service Provider/Record Keeper agreement or other applicable document. Proxy voting for securities held in each option's portfolio, managed by an option/investment manager, shall be handled by the investment manager consistent with its fiduciary responsibilities and the investment guidelines governing the account.

III. RESPONSIBILITIES

Participants: Each Plan Participant is best positioned to make decisions regarding the allocation of assets among the various Options offered by the Plan in order to best achieve his/her investment and retirement goals. As a result, the amount to be invested in each option, if any, shall be determined by each Plan Participant.

Each Participant has a responsibility to pursue the education necessary to make sound investment decisions. This education may include, but is not limited to, materials provided by the Plan, Service Provider/Record Keeper, investment managers and/or the consultant. The Participants bear the risk of the investment results from the Options chosen.

Plan Sponsor: The Committee is responsible for establishing all policies governing the Plan and the selection of all professional service providers to the Plan, including, but not limited to, the following:

- A. Service Provider/Record Keeper
- B. Investment Managers / Options

C. Investment Consultant

D. Legal Counsel

Service Provider/Record Keeper: The Service Provider/Record Keeper selected by the Plan is responsible for maintaining accurate and up-to-date account records for all individual Participants in the Plan. These records shall include daily valuations of each Participant's aggregate investments and each Option.

The Service Provider/Record Keeper shall also be responsible for providing each Plan Participant with access to sufficient information to select and manage their investments. The information and services provided shall include enrollment, education, exchanges, transfers, distributions, periodic statements and any other responsibilities that may be further defined in the agreement between the Service Provider/Record Keeper and the Plan.

Investment Managers: The investment managers of the Options selected by the Plan shall be responsible for the selection, purchase and sale of the individual securities held in their respective portfolios. Each investment manager has a responsibility to discharge their portfolio management duties within the guidelines outlined in their fund prospectus or other governing document.

Investment Consultant: The investment consultant shall assist the Plan in developing appropriate investment policies and guidelines for the Plan, recommending Options to be offered to Plan Participants and the ongoing monitoring and review of those Options. The investment consultant shall provide periodic reports outlining the investment performance results of each Option and any further information or services that may be outlined in the agreement between the consultant and Public Plan.

IV. INVESTMENT OPTION SELECTION & EVALUATION

The following characteristics shall be considered in selecting and monitoring Options, whether offered as a stand-alone Option, and/or as a fund included in a portfolio Option:

- A. **Manager tenure and corporate stability.** It is the intention of the Plan to consider and evaluate an Option's manager tenure as well as the corporate stability of the company offering the Option before including a particular investment vehicle as a Participant Option. In general, the Option's manager must have a three-year track record with the specific Option to be considered a viable, new Option by the Plan for use by Participants. Investment manager change, significant turnover to a portfolio management team or adverse developments at the fund company level of an existing Option shall warrant heightened scrutiny as defined later in this section.
- B. **Manager, style, asset and process consistency.** It is the intention of the Plan to consider and evaluate the manager, style, asset level and process consistency of current Options as well as new Options under consideration by the Plan. Any management turnover, substantial style drift, significant assets flows or investment process change at the fund level will result in a review of an existing Option's position in the Plan.
- C. **Investment costs and management fees.** It is the intention of the Plan to consider and evaluate that the overall costs and ongoing management fees of current Options as well as new Options under consideration are reasonable when compared to other similar and comparable investment funds.

D. Performance and risk measures. In addition to the qualitative criteria detailed above, it is the intention of the Plan to consider and evaluate the ongoing performance and risk profile of each Option using the following quantitative criteria (net of fees):

1. When there are four consecutive quarters of performance where the return is less than the appropriate benchmark and the rank is below the 75th percentile of the appropriate peer group.
2. Performance over the three and five-year trailing periods that exceeds the appropriate benchmark.
3. Performance over the three and five-year trailing periods that ranks in the top 50th percentile of the appropriate peer group.
4. Sharpe ratio over the three and five-year trailing period that ranks in the top 50th percentile of the appropriate peer group. The Sharpe ratio is defined as an investment's excess return (over the risk-free rate) divided by the standard deviation (risk) of the excess return.
5. Positive Alpha over the three and five-year trailing period relative to the appropriate benchmark. Alpha is a measure of risk-adjusted performance that represents the portion of an investment's historical performance that is not explained by movements in the benchmark index.

The Committee, in conjunction with the Investment Consultant, will monitor the results of the Plan's Options against the criteria contained in items A through D on a quarterly basis. These quarterly reviews will evaluate each Option's success against the evaluation criteria as well as the Option's position in the overall menu of available Options. This framework is not intended to be an exhaustive set of criteria by which any Option is selected or evaluated on an ongoing basis.

The review structure contained above can be used for the evaluation of most Plan Options. However, there are several instances where Options offered to Participants may not fit into one or more portions of this framework. As such, the Committee recognizes the need to adopt a flexible approach when analyzing the success of the Plan's index, money market, stable value, and target date (or risk-based lifecycle) Options. Traditional methods of benchmarking returns may not fully assess the effectiveness or fully appreciate the risks of these types of Options. While all Options will be reviewed within the context of their risk/reward profiles, different qualitative and quantitative factors may receive greater emphasis when evaluating these Options.

Options that consistently fail to meet performance-based objectives, or have experienced management turnover, substantial style drift, significant assets flows, investment process change at the fund level or have other qualitative issues of concern will subject the Option to "heightened scrutiny" to remain in the Plan. Heightened scrutiny may include a more detailed evaluation of the Option's organization, investment performance, risk characteristics relative to the appropriate benchmark and peer group over a variety of trailing, rolling and annual time periods, as well as different market cycles, including up markets and down markets. The purpose of heightened scrutiny is to determine if the Option's failure to meet organizational and/or performance objectives is reasonable, explained and/or consistent with the stated investment philosophy, process and investment objectives of that Option in the context of the existing market environment.

V. INVESTMENT OPTION REMOVAL

Within the context of quarterly reviews, the Option evaluation matrix, and Options under heightened scrutiny, the ongoing suitability of an Option in the Plan shall be questioned and will lead to removal when:

- A. Performance is unjustifiable;
- B. Risk characteristic are unacceptable;
- C. Qualitative issues of insurmountable concern exist; or
- D. Lack of confidence that an Option will be able to achieve performance and risk objectives going forward.

The Committee shall have full discretion to retain or replace any Option. The ultimate decision to remove/replace an Option shall be made when the Committee believes such removal/replacement is in the best interests of the Plan and its Participants. Any decision to remove an Option shall be treated on an individual basis.

VI. INVESTMENT OPTION MAPPING POLICY

It shall be the general policy of the Plan to apply the following procedures when mapping Participant assets in situations of Option removal and absent participant election following notification of the removal of an Option in which they have a balance or future contribution allocation.

- A. The Plan will map Participant assets and future contribution allocations in the discontinued Option to an existing or new Option that is reasonably similar in terms of risk and return to the discontinued Option. Unless presented with clear evidence to the contrary, the Plan considers Options within the same asset class as being reasonably similar in terms of risk and return; or

The decision to map Participants to an Option that is reasonably similar in terms of risk and return to the discontinued Option shall be made on a case by case basis as deemed in the best interest of the Plan Participants and beneficiaries under the prevailing circumstances.

In all situations the Plan shall provide Participants notification of the qualified change at least 30 days but not more than 60 days prior to the effective date of the change. The notice shall inform Participants that the notified change will occur unless instructions are received to the contrary.

Approved _____, 2018

**The Deferred Compensation Committee for
The City of Kaukauna and Kaukauna Utilities 401(a) and 457(b) Plans**

