

**COUNTY OF MULTNOMAH  
DEFERRED COMPENSATION PLAN**

**INVESTMENT POLICY AND PROCEDURES STATEMENT**

**REVISED 2012**

# PURPOSES

This investment policy has been developed for the Deferred Compensation Plan to document:

- Investment philosophy.....
- Investment option categories.....
- Investment option characteristics.....
- Standards of investment performance.....
- Investment fund evaluations.....
- Investment Fund Selection.....
- Blackout Periods.....
- Disclosure of fees, commissions and charges.....
- Investment communication to participants.....
- Investment education.....
- Review.....

# INVESTMENT PHILOSOPHY

## POLICY:

The Multnomah County Deferred Compensation Plan (Plan) is a long-term retirement savings vehicle and is intended as a significant source of retirement income for eligible participants. The investment options available from the Plan will cover a broad range of investment risks and potential rewards appropriate for this kind of retirement savings program. Participants bear the risks and rewards of investment returns that result from the investment options that they select. The investment options (funds) made available will be determined by the County of Multnomah (County) and may be change from time to time.

The mix of investment options appropriate for a participant depends on the combination of a number of factors, including, among others, age, current income, length of time to retirement, tolerance for investment risk, income replacement objectives, and a participant's other assets. To permit participants to establish different investment strategies, the Plan may offer up to 13 investment categories, which have varying return and volatility characteristics. It is the responsibility of each participant to evaluate the investment options and to select an appropriate mix. A participant should consider, among others, the following risks:

**Volatility:** The risk of significant decreases in account value (including the loss of principal) over relatively short periods of time.

**Accumulation:** The risk of not accumulating sufficient assets to retire.

**Understanding:** The risk of investing for the wrong reasons.

**Diversification:** The risk of concentrating investments and suffering large losses from a single investment category or similar categories that do not perform well.

A risk/reward structure is basic to investments. Generally, investment vehicles offering the greatest return over time also carry the highest risk or volatility of return. The inherent conflict between volatility and long range accumulation can be lessened through diversification among asset classes. To provide participants the opportunity to select risk/reward strategies and to diversify the Deferred Compensation assets, the Plan will offer a number of investment alternatives.

## **INVESTMENT PHILOSOPHY (CONTINUED)**

Participants can control their exposure to accumulation and volatility risks by allocating investments among these options. For example, a participant nearing retirement with high sensitivity to volatility risk might invest more heavily in the Stable Income Fund than a participant with many years to retirement. Many other investment options exist. This number and these types were selected because they: 1) each offer a distinct utility to the participants; 2) provide a spectrum of volatility and accumulation choices; and 3) can be administered, communicated and understood within practical constraints of the Plan's resources.

The County will provide Plan Participants with an array of suitable fund selections with an objective of reducing fund fees, expenses, and administration fees normally associated with these investments.

## DESCRIPTION OF INVESTMENT OPTION CATEGORIES

Asset allocation, quality, and sector concentration guidelines will be dictated by the stated policies of the manager or prospectus of a fund

A **Money Market Option** invests in cash equivalent securities with maturities of less than one year. The average quality of the portfolio must be A1, P1, or AAA. The objective of the fund is to protect underlying principal value and produce a reasonable level of current income. While the volatility risk of this option is the lowest, accumulation risk is the highest. A money market fund may not be necessary if the stable value options do not have restrictions on interfund transfers from the stable value fund to other funds in the portfolio.

A **Stable Value, General Account or Fixed Account Option** invests in book value investments which may include General Account annuity products, Separate Account Annuity products, Guaranteed Accumulation Accounts (GAAs), Guaranteed Investment Contracts (GICs), Bank Investment Contracts (BICs), "Synthetic" GIC arrangements and money market instruments, and may invest in intermediate term fixed income securities with a duration of 5 years or less. Investments may either be made directly or through pooled arrangements. The long term objective of the fund is to provide higher income than a money market fund while still providing no fluctuation in principal value.

A **Certificate of Deposit Option** with an issuer that guarantees a specific rate of return over a specific period of time. The objective of the fund is to provide guaranteed investment returns with a maximum of safety of principal.

A **Bond Option** invests in cash equivalents and marketable fixed income securities. The portfolio may have an average duration that is short, intermediate or long term. The average portfolio quality may range from AAA to B (or a comparable rating) or better by Moody's, Standard & Poor's or Fitch's ratings services. Sector and issue concentration guidelines will be dictated by the stated policies of the manager of the fund(s) and may include non-U.S. issuers. The investment objective is to provide longer term preservation of capital while earning a high level of current income. However, principal values may fluctuate over time, primarily in response to changes in interest rates.

A **Balanced Option** invests in several asset classes (typically common stocks, bonds and money market instruments). Investment returns come from both current income and capital changes. Professional investment managers make the asset allocation decisions, and the option can be used by participants who do not wish to self-manage their asset mix. The Balanced Option is expected to produce higher longer-term returns than the Bond Fund option, although volatility may be greater.

Asset allocation, quality and sector concentration guidelines will be dictated by the stated policies of the manager or prospectus of a fund. The investment objective is to provide a diversified investment return of current income and capital appreciation.

A **Large Capitalization\* (Large Cap) Option** invests in those companies that comprise the top 70% of the overall stock market capitalization. This asset class may contain value funds that invest in stocks of companies the investment fund manager believes the stock market undervalues and have the potential for market appreciation. This market segment may also contain growth funds that invests in stocks of companies the fund manager believes will grow at a faster rate than their peers or the corresponding market. This market segment may include funds that are blended to include both value and growth stocks. Funds in this category may provide additional investment growth through the reinvestment of dividends.

A **Medium Capitalization\* (Mid Cap) Option** invests in companies that comprise the next smaller 20% of the overall stock market. This asset class may contain value funds that invest in stocks of companies the investment fund manager believes the stock market undervalues and have the potential for market appreciation. This asset class may also contain growth funds that invests in stocks of companies the fund manager believes will grow at a faster rate than their peers or the corresponding market. This asset class may include funds that are blended to include both value and growth stocks. Mid-sized companies may be less able to weather economic shifts or other adverse developments than larger, more established companies.

A **Small Capitalization\* (Small Cap) Option** invests in companies that comprise the remaining 10% of the overall stock market capitalization. This asset class may contain value funds that invest in stocks of companies the investment fund manager believes the stock market undervalues and have the potential for market appreciation. This asset class may also contain growth funds that invests in stocks of companies the fund manager believes will grow at a faster rate than their peers or the corresponding market. This asset class may include funds that are blended to include both value and growth stocks. Small-sized companies may be less able to weather economic shifts or other adverse developments than larger, more established companies.

An **International Equity Option** invests primarily in common stock of non-U.S. issuers. The investments may be in developed and emerging market countries. This fund can be expected to be subject to risk factors not prevalent in domestic markets, including currency risk.

**Global Equity Option** (aka World Equity Option) invests in common stocks of established non-U.S. issuers as well as domestic common stocks as deemed appropriate by the fund managers. These funds are appropriate for a portion of a participant's account for which additional risk is acceptable in exchange for diversification from options tied to domestic markets. Currency fluctuation will contribute to increased return volatility.

An **Index Fund** invests identically or nearly identical to the market index whose return it seeks to duplicate. The objective of an index fund is to provide market diversification and a market average rate of return reflective of the market segment represented by a given index, e.g., the Standard & Poor's 500.

**Asset Allocation Funds (Model Portfolios)** offer an allocation of investments, principally stocks, bonds, and cash or cash equivalents which are appropriate for a given stage or age of an individual's investment life cycle. An aggressive asset allocation fund or an age targeted fund with a longer timeframe will have greater weighting in stocks than a moderate or conservative asset allocation fund. A conservative asset allocation fund will be more heavily weighted toward current income and protection of capital. The objective of an asset allocation fund is to provide a composite rate of return from current income and capital appreciation which is appropriate for a given stage of an individual's investment life cycle. The investment objective is to provide a diversified investment return of current income and capital appreciation.

**Socially Responsible Investing ("SRI") Option** is a mutual fund that has SRI as a stated prospectus objective and which attempts to invest in companies with sustainable business models without compromising investor returns. SRI funds combine thorough financial analysis with environmental, social, and corporate governance ("ESG") screening. Although screening criteria varies across the SRI fund universe, these funds will generally avoid companies that are significantly involved in the manufacture of weapons or weapons-related products, manufacture tobacco products, are involved in gambling as a main line of business, or engage in unethical business practices. In addition to these traditional SRI screens, these funds may look for companies that have positive impacts on the environment, fair workplace practices, robust corporate governance, high product integrity and positive community involvement.

**Specialty Funds** are mutual funds that specialize in specific investment instruments or sectors.

**Note: Self-Directed Brokerage Accounts (SDBA) are not monitored by the Deferred Compensation Committee. Participants who invest in SDBAs are responsible for the selection, management and control of these investments. To enroll in a SDBA the participant must sign an acknowledgement and a release form.**

## **DESCRIPTION OF INVESTMENT OPTION CATEGORIES (CONTINUED)**

**\*Market capitalization** is determined by multiplying the total number of outstanding shares of stock by the market price of the stock. Market capitalization changes with the changes in the price of the stock and increasing or decreasing the outstanding number of shares. As of December 31, 2007 a company is categorized as large if the capitalization is over \$11.0 billion; mid cap is

over \$2.1 billion up to \$11.6; small cap is under \$2.1 billion. However, this changes with significant swings in the stock market. To maintain consistency the 70%, 20%, 10% is used to determine the equity category.

	Money Market Option	Stable Value / Fixed Option	Bond Option	Balanced Option	Large Cap Option	Mid Cap Option	Small Cap Option	International Equity Option	Global Equity Option	Index Funds	Asset Allocation Funds	Socially Responsible Investment (SRI)	Specialty Funds
Investment Objective	Stable principal and income growth.	Moderate level of current income with stable principal value.	Higher level of current income and increasing principal appreciation values over the long-term.	Competitive returns from both current income and capital growth.	Moderate capital growth and above average current dividend income.	Long-term growth of capital, less emphasis on current income.	Maximum capital gains, little or no emphasis on income.	Long-term growth of capital, little or no emphasis on income.	Long-term growth of capital, little or no emphasis on income.	Closely replicate the performance of a specific market index with consideration for tracking errors and expense charge.	Preselected, diversified portfolios, managed as a single fund; funds may be at risk based on estimated retirement date/age	Moderate capital growth; may also provide for higher levels of current income	Moderate to maximum capital growth or higher levels of current income
Invests Primarily In	Highest quality money market instruments.	General and Separate Account Annuities, GICs, BICs, Money Market instruments, intermediate-term bonds.	Gov't, agency, investment grade corporate bonds.	Common stocks, investment grade bonds and money market instruments.	Common stocks of high quality relatively mature companies with above average dividends.	Common stocks with prospects for growth superior to that of the broad market.	Common stocks that may be of smaller, higher risk businesses.	Common stocks of non-U.S. issuers with prospects for growth	Common stocks of primarily foreign & U.S. issuers with prospects for growth	Domestic stocks or international stocks or bonds, depending on the designated index.	Combinations of international stocks, domestic stocks, bonds, AND stable value, at varying proportions.	Domestic stocks and / or international stocks and bonds. Investments must meet generally accepted socially responsible criteria	Domestic stocks and / or international stocks and / or bonds
Primary Source of Return	Short-term interest income.	Intermediate-term interest income.	Long-term interest income, capital changes.	Capital growth, interest and dividend income.	Capital growth and reinvested dividends.	Capital growth and long-term growth of dividends	Capital growth.	Capital growth.	Capital growth.	Capital growth and/or income, depending on the designated index.	Growth and interest income.	Capital growth and may have long term interest income	Capital growth and / or may have intermediate or long term interest income



# INVESTMENT OPTION CHARACTERISTICS

	Money Market Option	Stable Value Option	Bond Option	Balance d Option	Large Cap Option	Mid Cap Option	Small Cap	Inter-national Equity Option	Global Equity Option	Index Funds	Asset Allocation Funds	Socially Responsible Investment (SRI)	Specialty Funds
<b>Volatility Risk Potential</b>	Lowest	Very low	Moderate	Less than stocks but more than bonds.	Slightly below average volatility than the S&P 500	High short-term volatility.	Higher short-term volatility. Periods of several years may elapse before showing superior performance.	Highest short-term volatility. Subject to risk factors not prevalent in the domestic markets, such as currency fluctuations.	Highest short-term volatility. Subject to risk factors not prevalent in the domestic markets, such as currency fluctuations.	From high to moderate short term volatility, depending on the designated index.	Low to moderate, depending on the allocation selected.	Moderate to average volatility	May have high short-term volatility.
<b>Minimum Participant Investment Time Horizon</b>	Less than one year.	1 to 3 Years	1 to 3 Years	3 to 5 Years	4 to 5 Years	5 Years	5 to 10 Years	5-10 Years	5 to 10 Years	3 to 5 years	1 to 40 years, depending on the allocation selected.	1 to 7 Years	1 to 10 Years
<b>Ten Year Accumulation on Risk Potential</b>	Highest	Moderate - High	Moderate	Moderate - Low	Low	Low	Low	Low	Low	Moderate to Low, depending on the designated index.	Moderate to Low.	Moderate to Low	Moderate to Low.
<b>Participant Perception</b>	Safe	Safe. Transfer restrictions need to be carefully communicated.	The interest rate volatility concept may be hard to understand.	Most likely to be misunderstood. Hard to communicate.	Concept easy, differences from Growth Fund are subtle.	Concept easy, actual process sophisticated.	Concept easy. Participants need to understand risks.	Concept may be misunderstood. Risk factors need to be communicated carefully.	Concept may be misunderstood. Risk factors need to be communicated carefully.	Premise of index funds – duplicating performance of a specific market segment – must be communicated	Simple way to invest in a broadly diversified portfolio.	Need to understand that two factors, financial and socially responsible determine the underlying investment	Concept may be - misunderstood. Risk factors need to be communicated carefully.

## STANDARDS OF INVESTMENT PERFORMANCE

	One-, Three-, and Five- Year Standards
<b>Money Market Option</b>	Total time-weighted rates of return that match or exceed the average return of a universe of money market funds.
<b>Stable Value Option</b>	Stable value funds will be evaluated based on a comparison to the agreed upon benchmark, the Lehman Brothers U.S. Aggregate Index, unless otherwise approved by the County. Composition will be reviewed to determine adherence to the proposed composition.
<b>Bond Option</b>	Total time-weighted rates of return that match or exceed the average return of a similar universe of fixed income funds.
<b>Balanced Option</b>	Total time-weighted rates of return that match or exceed the average return of a universe of balanced funds with comparable asset allocation policies.
<b>Large Cap Option</b>	Total time-weighted rates of return that match or exceed the average return of a universe of large cap funds that are managed in a comparable style.
<b>Mid Cap Option</b>	Total time-weighted rates of return that match or exceed the average return of a universe of mid cap funds that are managed in a comparable style.
<b>Small Cap Option</b>	Total time-weighted rates of return that match or exceed the average return of a universe of small cap funds that are managed in a comparable style.
<b>International Equity Option</b>	Total time-weighted rates of return that match or exceed the average return of a universe of international equity funds that are managed in a comparable style and market.
<b>Global Equity Option</b>	Total time-weighted rates of return that match or exceed the average return of a universe of global equity funds that are managed in a comparable style
<b>Index Funds</b>	Competing index funds will be compared to a comparable standard index. Consideration is made for tracking errors and the effect of the expense charge on the return.
<b>Asset Allocation Funds</b>	Returns of Asset Allocation Funds will compared to returns of comparably composed asset allocation funds or similarly dated age based indexes.
<b>Socially Responsible Investment Option</b>	Total time-weighted rates of return that match or exceed the average return of a universe of funds that are managed in a comparable style.
<b>Specialty Funds</b>	Total time-weighted rates of return that match or exceed the average return of a universe of funds that are managed in a comparable style.

Note: Morningstar programs will be utilized to determine universe of average performance rates by category. Funds not achieving the established benchmarks may be retained at the sole discretion of the Committee.

# INVESTMENT FUND EVALUATIONS

## **POLICY:**

The County of Multnomah retains the authority to periodically evaluate investment funds in accordance with the Standards of Investment Performance and, as a result of this evaluation, to add and deselect investment funds. The Standards of Investment Performance will be reviewed no less frequently than annually. Conditions may arise that create a need for an evaluation on a more frequent basis, and may include:

- A. Change of investment manager
- B. Change of sub-advisor
- C. Significant change in ownership or control
- D. Significant change in fund management style or drift over a prolonged period
- E. Substantive change in portfolio turnover that significantly exceeds the fund's history
- F. Any violation of SEC rules or regulations
- G. Operational difficulties concerning fund transfers or pricing
- H. Excessive costs or trading practices
- I. Negligible use by Participants
- J. Availability of a superior investment option

## **PROCEDURE:**

In the evaluation of the investment funds, the Standards of Investment Performance will be evaluated on a one, three, and five year standard. Each investment's performance calculation is expected to be achieved net of all fees. For funds without comparable indices or peer groups, the Deferred Compensation Plan's consultant will compare the performance of the fund to other investment instruments in the market.

During the contract period the Committee may request a comparison of current funds in the portfolio to similarly managed funds that are available for possible inclusion in the portfolio. Based on the comparisons the Committee may opt to replace funds that may have performed better during a different economic cycle.

Underperformance of an investment fund in both of the three and five year standards will result in placement of the investment fund on the Watch List. If an investment fund fails to meet the minimum standards of investment performance outlined in this document, the County may take the following steps.

Step 1. The investment fund should immediately be placed on up to a one year probation. The County may, in its discretion, if circumstances warrant, proceed directly to Step 2. Retention, as an active fund, at the end of that probation period will be contingent on the following:

- A. The fund should perform above the average of its investment universe over three-year periods; or
- B. The fund should perform in the top quartile of its investment universe over the past one-year period; and
- C. The Sharpe Ratio must exceed the average Sharpe Ratio for the applicable peer group; and
- D. Performance over these periods will be reviewed to justify retention.

Investment funds that do not satisfy the retention criteria at the end of that probation period will be considered for replacement - see Step 2.

Step 2. A fund search may be initiated and a replacement fund selected. Regarding the Plan assets already deposited with the deselected fund, each participant will have a transition period of a length set by the County, but not less than 60 days in which he or she may transfer their assets to the replacement fund or a fund option of the participant's choice. During the transition period, reminders will be sent to participants periodically prior to eliminating the fund.

In the event a participant does not voluntarily select a replacement fund(s) by the end of the 60 day transition period, the County will direct the provider to transfer the current balance of the deleted fund to the replacement fund or most appropriate existing fund within the asset class that has the most superior historical return over the past five years. In the event the provider does not offer another investment in the same asset class the balance in the deselected fund will be transferred to the stable value fund of that provider.

## **INVESTMENT FUND SELECTION – STABLE VALUE FUND**

There are several different types of stable value funds, including separate and general account annuity products, GIC funds and FDIC products. Also, there is not, for most of these products, a standardized database with performance and other pertinent information that would enable a search process to be conducted. There is also a need to enter into negotiations with the provider regarding investment strategy and style in situations where that is in the discretion of the plan sponsor. For these reasons, the selection of one or more stable value fund products will be conducted through a written request directed by the County.

## **INVESTMENT FUND SELECTION - MUTUAL FUNDS**

### **I. Alignment of Mutual Funds**

- A. Mutual funds offered in the Deferred Compensation Plans will be by groupings of like investment policy and risk (volatility of returns).
- B. Contracted fund providers will be used to determine the groupings of mutual funds including index funds, if appropriate, by investment option characteristics. These investment option characteristics are subject to annual verification by the County.

The following is a target portfolio that includes the asset classes, asset categories and numerical range of available funds that may comprise the portfolio for the County Deferred Compensation Plans. Consideration must be given for temporary style drift.

## INVESTMENT FUND SELECTION

	Per Provider		
Money Market Fund	0-1		
Stable Value/Fixed Account Funds	1		
Bond Fund	1-3		
Global Equity Fund	1		
International Equity Fund	1-2		
Index Fund	1-5		
Asset Allocation Fund <sup>2</sup>	3-8		
Equity Capitalization/Style	Value	Blend	Growth
Large Capitalization	2-3	1-2	2-3
Mid-Capitalization	1	0-1	1
Small Capitalization	1	0-1	1
Socially Responsible Investment Funds <sup>3</sup>	1-2		
Specialty Funds	1-5		

<sup>1</sup>Money market funds may not be necessary if the stable value/general account is liquid and without monetary encumbrances to the Participant.

<sup>2</sup>Asset Allocation category may include balanced funds, risk based lifestyle funds or time/age based life-cycle funds,(target funds).

<sup>3</sup>The County may decide to provide one or more Socially-Responsible Investment (SRI) options in the list of core options, for Participants that are interested in this style of investment choice. SRIs may be categorized in various asset classes. The SRI must remain competitive to its specific asset class and will be subject to investment analysis and potential replacement in the ongoing fund review process. Additionally, the SRI fund must also adhere to its socially responsible criteria. Departures from the criteria must be documented with the County and may result in deletion.

The overall number of funds offered in a provider's portfolio must not exceed thirty, (30). The thirty funds must include a minimum of two large cap value funds, one actively managed large cap blend fund and two large cap growth funds.

- C. At the time of selection, the fund category established by the contracted fund providers for the previous six quarters, will determine the category placement of a fund under the Plan. In the event that a fund has not had consistency of placement within a category over the six quarters prior to selection, it shall be placed in the category most recently determined by contracted fund providers. The placement of a fund within its category may be a consideration in its selection. For example, if a fund has consistently, over a period of time, moved toward the outside ranges of its category; it may not be an appropriate candidate for selection since it may have a high probability of changing categories.

## **II. Minimum Criteria for Selection**

To be considered for inclusion in the Plan, a fund should first meet the size and history criteria above. Next it must satisfy the Minimum Operational Criteria below:

### **A. Minimum Size and History Criteria**

1. Size - to be considered, a fund should have net assets of at least \$100 million. Total assets in all share classes can be considered if under the same management team. The intent is to restrict selection of mutual funds to the size appropriate for the potential cash flow to be generated by the Plan. If, however, this restriction reduces the potential pool of funds inappropriately, this criterion may be reduced to broaden selection. Any criteria reduction proposed by the Deferred Compensation Plan's consultant and / or provider is reviewed by the County. The County shall approve, change or modify the consultant's / provider's recommendation. The change will be documented in the recommendation report to the County.
2. Period of time in operation - a mutual fund (or a clone fund under the same management) should have been in operation for a period of 5 years prior to selection.

### **B. Minimum Operational Criteria**

1. It must guarantee transactions at the prior day's price.
2. Front end loads and fund surrender charges must be waived.
3. It must be compatible with the Plan's administrative and record keeping accounting and system practices.
4. The County will have the ability to request mutual funds to pay it a fee for performing administrative services.

### **III. Selection of Funds**

The selection process is used to add a new fund or to delete a current fund. The recommendation to add or delete a fund will be documented in writing for the County's consideration. The written report, which is typically prepared by the Deferred Compensation Plan's consultant, will contain the reasons for the recommendation to add or delete a fund and the factors considered to support the recommendation using the following process:

#### **A. Screening Funds**

1. The initial screening of a new fund will produce a listing of funds that have outperformed the average of their respective peer group for the one, three, and five year periods. At this point, those funds that do not out perform the benchmark in two of the three measured periods are inappropriate for the Plan will not be considered for inclusion in the Plan for any of the following reasons:
  - a) The fund has a policy of not being available for deferred compensation plans
  - b) The fund has loads that it is not willing to waive
  - c) The fund has an expense ratio that is uncompetitive in relationship to similarly managed funds.
  - d) The risks taken are too high for the achieved performance as determined through a Sharpe Ratio analysis.
  - e) The fund is closed
2. If the criterion stated above in Step 1 above is too restrictive, the County may modify one or more of the criteria in the initial screening process and, as a result, may include in the evaluation/selection funds that do not meet all of the criteria stated. The reason(s) supporting the exception and the methodology used to develop the initial list for consideration must be documented



3. The initial list of funds produced in 1 and 2 above shall be compared to the fund(s) relative peer group and within the peer group shall be ranked according to the fund's annualized performance over the most recent five year investment period. The numeric ranking will be identified. The relative peer groups may include:
  - a) Small Capitalization (value, blend and growth styles may be considered)
  - b) Mid Capitalization (value, blend and growth styles may be considered)
  - c) Large Capitalization (value, blend and growth styles may be considered)
  - d) Bond (may include domestic and foreign investments)
  - e) International Equity (may include large, mid and small cap investments)
  - f) Global Equity (may include large, mid and small cap investments)
  - g) Money Market Funds
  - h) Stable Value, General Account or Fixed Account Option
  - i) Index Funds
  - j) Asset Allocation Funds/Target Date Funds
  - k) Socially Responsible Funds
  - n) Specialty Funds

#### B. Fund Review

1. Once the peer group ranking list is determined in Screening of Funds, each fund will be reviewed for the following:
  - a) Annual performance over each of the immediately preceding three and five calendar years will be evaluated. Consistent performance return in each year of the three and five-year period will be preferred. Consistent performance includes moderate Standard Deviation, (as determined by a comparison with similarly managed funds), portfolio manager tenure, outperforming the appropriate benchmark for the three year and five year periods and a consistent Risk and Return profile as determined by Morningstar.
  - b) The fund's investment category placement over the last three years will be reviewed and funds that remain in the same category will be preferred.
  - c) Issues to be addressed in the fund selection include:
    - Number of funds managed per portfolio manager
    - Portfolio manager tenure

- Equity Investment style, including average market capitalization, portfolio turnover, number of holdings, consistency of style, sector weighting, risk, information ratio where appropriate, and security selection
- Fixed Income Investment style, including duration management, sector and selection and credit quality. This question should include review of investment process, ability to articulate process as well as consistency of style or process.
- Fees and expenses
- Confirm Minimum Operational Criteria compliance
- Disclosure that, based on the knowledge of the provider, the fund family has not participated in unethical trading practices.

Funds that exhibit consistent performance and satisfy the Minimum Operational Criteria will be preferred.

2. Based on the information collected during the evaluation of the semi-finalists, funds will be reviewed and funds may be eliminated based on:

- Inconsistent performance history
- Excessive style movement within investment category
- Qualitative factors such as excessive account turnover or an inappropriate investment style
- Inability to satisfy the Minimum Operational Criteria
- Fund's assets are so large that the portfolio manager lacks the flexibility to buy and sell securities in an efficient and timely manner.

### C. Final Selection

The County will review the written recommendation and review the reports submitted documenting the review process for each fund being considered for inclusion in the Plan and / or deletion from the Plan. The County approves all new funds added to the Plan and all funds to be deleted from the Plan.

## BLACKOUT PERIOD

## **POLICY:**

The Plan will give plan participants a minimum of 30-day advance notice of “blackout periods” affecting their rights to direct investments, take loans (if available) or obtain distributions. Blackout periods may occur when plans change record-keepers, record-keeping systems or investment options. Individual participants will receive a blackout notice that contains, among other things:

- The reasons for the blackout period,
- A description of the rights that will be suspended during the blackout period,
- The start and expected end dates of the blackout period, and
- A statement advising participants to evaluate their current investments based on their inability to direct or diversify assets during the blackout period.

## **DISCLOSURE OF FEES, COMMISSIONS AND CHARGES**

### **POLICY:**

All fees, commissions and charges for each selected investment option must be fully disclosed to the Committee before the option can be made available to Plan participants. That is, in its review of a fund’s performance history, the Committee must be shown the fund’s gross performance less all applicable fees, commissions and charges, and the resulting net return.

In addition, these fees, commissions and charges will be disclosed to all participants at enrollment and at any other time as appropriate.

## **INVESTMENT COMMUNICATIONS TO PARTICIPANTS**

### **POLICY:**

Information about each investment option will be given or made available to Plan participants to help them to make informed investment choices. The Plan providers shall provide at least quarterly statements of fund performance to each participant.

Upon request, copies of investment fund prospectuses or similar equivalent information, list of underlying investments for a given fund, and other information that the County has available will be provided to Participants electronically, in hard copy or through a web link.

## **INVESTMENT EDUCATION**

### **POLICY:**

It is the Committee's objective to provide participants with ongoing investment education. The purpose of the investment education program is to provide information and tools to assist in the development of a personal investment strategy for employees and facilitate the achievement of savings and retirement goals.

## **REVIEW**

### **POLICY:**

It is the intention of the Committee to review this document annually.

If at any time a fund investment manager or provider feels that these policy standards cannot be met, or that the guidelines contained herein constrict the appropriate management of the investment funds, the Plan's consultant or provider must submit the specific recommendation and reasons for such a recommendation in writing to the County of Multnomah at least annually. The County will review policy recommendation and determine whether to support or not to support the Deferred Compensation Plan's consultant or provider's policy recommendations. All recommendations must be approved by the County of Multnomah