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## **Statement of Investment Objective and Policy Guidelines**

County of Fresno 457(b) Deferred Compensation Plan

County of Fresno 401(a) Defined Contribution Plan

### **Part I: The Plans**

The County of Fresno (County) sponsors the County of Fresno 457(b) Deferred Compensation Plan and the County of Fresno 401(a) Defined Contribution Plan (the Plans) for the benefit of its employees. The Plans are intended to provide eligible employees with the long-term accumulation of retirement savings through employee and employer contributions to individual participant accounts and the earnings thereon.

The Plans are qualified employee benefit plans intended to comply with all applicable federal laws and regulations, including the Internal Revenue Code of 1986, as amended. The Plans, being sponsored by a public sector entity, are not bound by Employee Retirement Income Security Act of 1974, ("ERISA"). The Plans intend to be consistent with their obligation under the California Constitution and use ERISA, where applicable and prudent, as a guiding resource.

The County has appointed an Investment Committee, hereinafter referred to as the Deferred Compensation Management Council (DCMC), which is responsible for implementing the provisions of this Statement of Investment Policy ("Statement"), either directly or through delegation to qualified service providers.

The Plans' participants and beneficiaries ("Participants") are expected to have different investment objectives, time horizons, and risk tolerances. To meet these varying investment needs, Participants will be permitted to direct their account balances among a number of "core" investment offerings ("Core Menu") in order to construct prudently diversified portfolios of substantially different risk and return characteristics within the range normally appropriate for a person accumulating money for retirement. The Core Menu will consist of "Funds": investment companies registered under the provisions of the Investment Company Act of 1940, and/or other similar vehicles subject to established trust indentures. In addition, or alternatively, Participants may select a Target Date Fund (as discussed in Part VI). Collectively, the Core Menu and Target Date Funds are referred to herein as "Investment Alternatives".

Participants alone bear the risk associated with their selections among the Investment Alternatives. Using ERISA Section 404(c) as a guide, the Plans will provide Participants a variety of Investment Alternatives – each of which are diversified with different risk and return characteristics – along with the appropriate disclosure documents required to claim the protection benefits afforded to Plan fiduciaries.

## Part II: The Purpose of this Statement

This Statement sets forth the process that the DCMC has adopted to make investment-related decisions with respect to assets of the Plans using the standards of fiduciary conduct prescribed in ERISA as a guide. It outlines the underlying investment philosophy of the DCMC and the specific processes utilized in the initial selection, monitoring, and evaluation of the Investment Manager and Designated Investment Alternatives offered in the Plans. More specifically, this Statement:

- Describes the Plans' investment goals and objectives
- Describes the roles of those responsible for the Plans' investments
- Describes the criteria and procedures for initially selecting Investment Managers
- Establishes investment procedures, measurement standards, and monitoring criteria for the ongoing evaluation of Investment Managers
- Describes corrective actions the DCMC may take should Investment Managers and investment options fail to satisfy the established objectives
- Describes when default investments will be utilized
- Describes how the Qualified Default Investment Alternative ("QDIA") is/are selected.

## Part III: Plan Investment and Structural Objectives

Implementation of the Plans' Investment Policy has as its objectives the following:

- Prudent investment management (as defined by ERISA Section 404(a)(1)) of the Plans' assets not subject to the control of a Participant.
- Access by Participants to Investment Alternatives whose returns are commensurate with the risk associated with their respective management style and asset class characterization.
- Competitive investment performance of each Investment Alternative relative to other similarly categorized investment vehicles.
- Reasonable expenses associated with the services necessitated by the Plans' investment management.
- Fulfillment of the requirements of the Department of Labor's Final Regulations Regarding Participant Directed Individual Account Plans (Section 404(c) Regs.) to achieve the liability protection from losses arising from the control by Participants of their Plan balances.

This Statement will be reviewed periodically by the DCMC and may be modified at any time as deemed necessary by the DCMC. The DCMC understands that this Statement is intended to provide the DCMC with sufficient flexibility to respond to developments in the current and future market conditions as well as changes in legal and regulatory requirements. Accordingly, the DCMC may make exceptions to this Statement if deemed prudent.

## Part IV: Roles and Responsibilities

### **DCMC**

The DCMC will, consistent with ERISA §404(a)(1) as a guiding resource, discharge their duties with respect to the Plans solely in the interests of the Participants, for the exclusive purpose of providing benefits to Participants and of defraying reasonable expenses, and with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

The DCMC will be responsible for monitoring all the Plans' service providers. Additionally, the DCMC will be responsible for the following:

- Establish and periodically review the Plans' Statement of Investment Policy
- Review all service providers' fee disclosures
- Periodically review the compensation and performance of the Plans' service providers
- Recommend Plan related service providers such as investment consultant, recordkeeping and administration, and participant education to the County of Fresno Board of Supervisors
- Review the performance of Investment Alternatives no less than annually

### **Investment Consultant**

The County has designated Northwest Capital Management, Inc. as a Fiduciary in the role of Investment Consultant, as defined by ERISA §3(21). The Investment Consultant is registered with the Securities and Exchange Commission (IARD/CRD# 108091; SEC# 801-56420) under the Investment Advisors Act of 1940. The Investment Consultant shall provide the following services:

- Serve as fiduciary regarding the Plans' Investment Alternatives
- Recommend Investment Alternatives to the DCMC and replace them, if necessary, consistent with the terms of this Statement
- Monitor the performance, fees, and characteristics of the Plans' Investment Alternatives, reporting its findings and conclusions in writing to the DCMC on a quarterly basis
- As needed, assist the DCMC with the evaluation of the Plans' other service providers from time to time

### **Recordkeeper**

The Plans' Recordkeeper is responsible for providing the following services, amongst others not listed:

- Maintaining and updating individual account balances, including information regarding Plan contributions, withdrawals, and distributions including facilitating said transactions
- Provide participants with phone and internet platforms to interact with their accounts and conduct transactions necessary to manager their accounts
- Provide the Plan sponsor with website access to monitor the Plans' demographics
- Provide participant education

## **Part V: Investment Alternatives**

Using ERISA Section 404(c) as a guide, the Plans will provide a variety of "Core" Investment Alternatives—each of which are diversified and have materially different risk and return characteristics—into which Participants may direct the investment of their Plan balances and contributions for their benefit. Through various combinations of Investment Alternatives, a Participant is to have the ability to construct a prudently-diversified portfolio with aggregate risk and return characteristics within a range normally appropriate for a Participant saving for retirement.

In general, all Investment Alternatives will be characterized as an Equity (stocks) or Fixed Income (bonds and cash) investment (or combination thereof). Within these two broad asset classes, several Sub-Asset Classes exist, e.g., U.S. Large Cap stocks, Foreign Stocks, Intermediate Bonds, etc. The Investment Consultant is to identify Investment Alternatives within various Sub-Asset Classes it deems appropriate for a well-diversified Core Menu of options. Where practical, passively-managed indexed options are to be made available.

Additionally, the Plans will provide diversified Investment Alternatives that are representative of, at minimum, one of the following two Sub-Asset Classes:

- Cash Equivalents
- Stable Value

The Investment Consultant may select, as appropriate, additional Investment Alternatives to provide diversity of management style within each Sub-Asset Class, such as “value” and “growth”.

## Part VI: Target Date Funds

As additional Investment Alternatives to the core investment menu, the Investment Consultant will recommend a suite of Target Date Funds to act as predetermined asset allocation strategies for participants. A Target Date portfolio’s investment strategy is to over time regularly adjust the mix of Investment Alternatives within the portfolio to reflect a decreasing level of expected market risk— primarily determined by the Portfolio’s allocation to Equities.

Each Target Date Fund will normally be identified by a calendar year. Participants of various ages may choose the Target Date Funds whose identified dates would correspond approximately with their own expected retirement dates or based upon their preferred level of investment risk currently embodied within that Target Date Fund.

The number of Target Date Funds to be offered is at the discretion of the DCMC, provided that sufficient portfolios exist which represent an appropriate and diverse range of risk-based options ranging from conservative to long-term growth.

Selection of a Target Date Fund is a decision of the Participant. The allocation of each Investment Alternative within a Target Date Fund is the decision of the Fund Company and not that of the Investment Consultant. Participants, at their option, may elect to have some or all of their Plan account balance and/or future contributions invested within any Target Date Fund, subject to any limitations of the software systems of the Plans’ Recordkeeper.

## Part VII: Investment Alternative Selection Criteria

The Investment Consultant will identify Investment Alternatives for the Core Menu and the Target Date Funds, subject to the following Investment Alternative Selection Criteria:

- Each Investment Alternative will be managed by an investment adviser who meets certain minimum criteria. The adviser will be a bank, insurance company, or investment management company or investment adviser registered under the Investment Advisors Act of 1940, in good standing with regulators. An Investment Alternative may be a registered mutual fund, collective trust, or a separately managed account. The Investment Consultant is to secure information on the history of the advisor's firm, its investment philosophy and approach, its principals, portfolio composition, fee schedules, and other relevant information.
- When recommending an Investment Alternative, the Investment Consultant may rely upon industry-standard databases in addition to its own research and judgment to identify the Sub-Asset Class exposure(s) and management style of a particular Investment Alternative. For the purposes of allocation, categorization and performance reporting, the Investment Consultant may assume that the asset category of all securities purchased by an Investment Alternative is that of the particular fund's industry-standard classification even though some of the securities purchased by the Investment Alternative may actually be of a different asset class. In addition, the Investment Consultant may categorize the Investment Alternative as an allocation among multiple Sub-Asset Classes.

All Investment Alternatives selected must have a readily ascertainable market value and must be readily marketable. The Plans must be able to purchase each Investment Alternative without an upfront sales charge. No Investment Alternative may be subject to a contingent deferred sales charge. However, an Investment Alternative may be subject to a Short-Term Redemption Fee or reasonable trading restrictions.

Additional Criteria for the initial selection of an Investment Alternative include the following:

- An Investment Alternative should have at least a three-year track record. In making this and similar performance-based determinations, the Investment Consultant may include the performance of an Investment Alternative's manager whose investment performance at another fund is "portable" as defined by the SEC in its No-Action Letter of 9/13/96, or of a different share class of the same Investment Alternative, or the Investment Alternative manager's relevant strategy performance composite.
- Except in the instance of a market index fund, the Investment Alternative's performance will be measured against the performance of other managers with similar investment styles over the most recent 3-, 5-, and 10-year trailing period. If the investment alternative does not have five or ten years of track records, then performance will be evaluated over available time periods. The following components may be considered:
  - Investment performance (Absolute performance, benchmark-relative performance, etc.)
  - Risk-Adjusted performance (such as Shape Ratio, Information Ratio, etc.)
  - Risk Level (such as Standard Deviation, Upside Capture Ratio, Downside Capture Ratio, etc.)

- The Investment Alternative should have an expense ratio at or below the median for its general peer group.

The Investment Consultant, consistent with applicable professional and fiduciary standards, may determine additional criteria for the selection of an Investment Alternative, and apply those criteria as if contained within this Policy providing it communicates those criteria to the DCMC in advance of their application.

The Investment Consultant may exercise some judgment in the recommendation of Investment Alternatives, even if the investment does not comply with all of the criteria identified above as Additional Criteria. In such instances, the Investment Consultant must present to the DCMC its reasons for having selected the Investment Alternative.

## Part VIII: Investment Alternative Oversight

The Investment Consultant shall regularly review the performance of each Investment Alternative to determine if it should continue to be retained within the Plans and communicate its findings in its Quarterly Performance Report to the DCMC.

For each Investment Alternative, the Investment Consultant will identify an investment benchmark and peer group to be used for the purpose of ongoing monitoring. Benchmarks and peer groups may be selected based on a categorization provided by an industry-standard database, the Investment Consultant's evaluation of a suitable comparison for the Fund's performance, the Fund's prospectus or a variety of other industry accepted criteria. A blended benchmark comprised of industry accepted market indices or a sub-component of an index (e.g., S&P 400 Value) may be used for additional comparison if the Investment Consultant deems it to be relevant.

In its Quarterly Performance Reports to the DCMC, the Investment Consultant will provide the DCMC with up-to-date benchmark and peer group identification. To the extent practicable, investment benchmarks will be predefined, passive, and reflective of the Fund's current investment strategy.

The Investment Consultant shall use an industry-accepted database of mutual funds for the compilation of peer group universes. The Investment Consultant may rely upon the database's identification of each Investment Alternative's category when compiling the universe. The Investment Consultant, however, may override the database's characterization of one or more Investment Alternatives and also may create its own set of universes.

From time to time, asset class designations, Investment Alternative selections, data sources, benchmarks, and peer groups may change. Such changes, as they occur, will be reflected in the Quarterly Performance Report.

Except in the instance of a market index fund, events or criteria that may indicate an Investment Alternative is to be removed and/or replaced as a Plan Investment Alternative include, but are not limited to, the following:

- There has been a material change in the Investment Alternative's management, or the Alternative is subject to sanctions for noncompliance with laws or regulations affecting the Alternative's investment performance.
- Performance of the Investment Alternative no longer ranks competitively versus the performance of funds with a similar investment style.

The Investment Consultant, consistent with applicable professional and fiduciary standards, may determine additional criteria for the monitoring of an Investment Alternative, and apply those criteria as if contained within this Policy providing it communicates those criteria to the DCMC in advance of their application.

With each Quarterly Performance Report to the DCMC, the Investment Consultant shall certify as to each Investment Alternative one of the following statements:

- The Investment Alternative remains suitable as the funding vehicle for an asset class;
- The Investment Alternative should be Replaced;
- The Investment Alternative is under Watch and might need to be replaced, or it should remain as the funding vehicle for an asset class for reasons to be enunciated within the Investment Consultant's report to the Plans.

An Investment Alternative may continue to serve within the Plans even if it fails to meet all of the criteria identified herein if the Investment Consultant believes there are compelling reasons for the Plans to hold the Investment Alternative. In such an event, the Investment Consultant shall communicate such reasons within its Quarterly Performance Report to the DCMC.

Consistent with the provisions of this Statement, and in the event the Investment Consultant determines that an Investment Alternative should be replaced, the Investment Consultant shall notify the DCMC of such recommendation. The Investment Consultant may provide assistance to the DCMC in the communication of Investment Alternative changes to the Plans' Recordkeeper and other service providers. However, the ultimate responsibility for authorizing the addition, removal, and mapping of Investment Alternatives to the appropriate service provider(s) is that of the DCMC.

## Part IX: Target Date Fund Oversight

For each Target Date Fund, the Investment Consultant shall establish a Policy Index (a hypothetical portfolio whose investment return is calculated as if the Portfolio contained assets whose performance mirrors that of their respective Benchmark market index.) The Investment Consultant shall report to the DCMC no less than quarterly the performance of each Target Date Fund and its Policy Index.

## Part X: Default Investment

In the event a Participant fails to make an affirmative investment election for his or her account balance, the Participant's account balance will be placed in a Target Date Fund, as discussed in Part VI, whose identifying date is identical to, or alternatively, closest preceding the year the Participant will be age 65. If the Participant is older than age 65 and there is no corresponding date associated with their retirement date, the default investment is the most conservative Target Date Fund.

## Part XI: Disclosure of Fees, Commissions and Charges

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. It will be disclosed to Plan participants the nature of all variances between gross return and net return.

## Part XII: Investment Communications to Participants

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

Upon request, copies of investment fund prospectuses or similar equivalent information will be provided to participants as well as such other information as the DCMC has available such as a list of underlying investments for a given fund.

## Part XIII: Investment Education

It is the DCMC'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.

## Part XIV: Portfolio Risk

At times, some of the Investment Alternatives may experience high degrees of price volatility and periods of substantial, negative performance. The DCMC views the existence of market volatility as necessary to achieve each Investment Alternative's long-term investment objectives and understands that future market conditions may result in a negative performance that could fall below the historic experience of the Investment Alternative or its Benchmark Index.

## Part XV: Investment Prohibitions

In addition to any restrictions imposed on the Investment Consultant in other sections of this Policy Statement, the following additional restrictions, if any, apply:

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## Part XVI: Power to Amend

Nothing in this Statement shall preclude the DCMC from modifying the scope or content of this Statement, or changing or imposing additional investment restrictions. Any such modifications will be delivered to the Investment Consultant and other service providers for acknowledgement of receipt and acceptance.

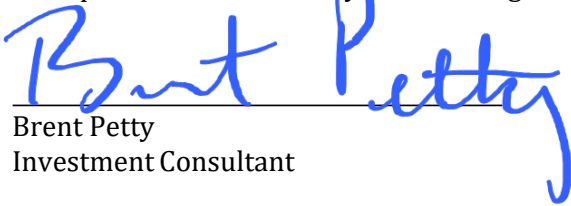
## Part XVII: Adoption of Statement of Investment Policy

The DCMC has adopted the Statement of Investment Policy, in the form herein described, on this 27<sup>th</sup> day of September, 2022.



Robert Bash  
Chair of the Deferred Compensation Management Council

Receipt of this Statement by the undersigned is acknowledged.



Brent Petty  
Investment Consultant