



*Greatness grows here.*

INVESTMENT POLICY FOR THE DEFERRED COMPENSATION  
AND DEFINED CONTRIBUTION PLANS OF  
THE COUNTY OF SAN JOAQUIN

APRIL 2022

INVESTMENT POLICY FOR THE DEFERRED COMPENSATION  
AND DEFINED CONTRIBUTION PLANS OF  
THE COUNTY OF SAN JOAQUIN

TABLE OF CONTENTS

I.	INTRODUCTION AND BACKGROUND .....	2
II.	PURPOSE .....	2
III.	OBJECTIVES.....	2
IV.	DUTIES AND RESPONSIBILITIES .....	3
V.	INVESTMENT OPTION CATEGORIES .....	4
VI.	INVESTMENT SELECTION GUIDELINES .....	9
VII.	PERFORMANCE CRITERIA .....	9
VIII.	MONITORING AND ONGOING EVALUATION OF INVESTMENT OPTIONS.....	9
IX.	UNDERPERFORMING FUNDS .....	10
X.	FEES.....	11
XI.	COMMUNICATIONS TO PARTICIPANTS.....	11
XII.	INVESTMENT EDUCATION .....	11
XIII.	PROXY VOTING .....	11
XIV.	HISTORY .....	12

## **I. INTRODUCTION AND BACKGROUND**

The County of San Joaquin ("County") offers all eligible employees deferred compensation and defined contribution programs through the Revised and Restated Deferred Compensation Plan of the County of San Joaquin and the County of San Joaquin Money Purchase Plan (the "Plan" or "Plans"). The Plans are established and maintained as eligible deferred compensation and defined contribution plans under United States Internal Revenue Code Sections 457 and 401, California Government Code Section 53212 *et seq.*, and other applicable laws and regulations. The Plans are intended to provide eligible individual employees with a means to save a tax-friendly portion of their current compensation in order to enhance retirement income and achieve long-term financial goals.

The Plans were established by the County Board of Supervisors and are administered by the County's Director of Human Resources (the "Plan Administrator"). The Plan Administrator is responsible for the general administration and investment management of the Plans. The Deferred Compensation Advisory Committee (the "Advisory Committee") consults with and assists the Plan Administrator in an advisory capacity in matters relating to Plan operations, investments, and strategies.

## **II. PURPOSE**

The purpose of this Investment Policy ("Policy") is to set forth the goals and objectives of the Plan Administrator in the selection and monitoring of investment options for the Plans. The Policy is intended to establish reasonable parameters to ensure prudence and care in the selection and ongoing evaluation of investment options and policies while allowing for sufficient flexibility in the management and oversight of Plan investment options.

The Plan Administrator will review the Policy at least once every three years to evaluate whether changes are appropriate or necessary and to assure that the Policy is consistent with Internal Revenue Service ("IRS") regulations and California fiduciary requirements governing the Plans. Based upon this review and as otherwise necessary due to changes in procedures or regulations governing the Plans, the Plan Administrator may adopt changes or amendments to the Policy at any time. As stated in Section XIV below, the last update to the Policy was in June 2020.

## **III. OBJECTIVES**

The goal of the Plans is to provide County employees, and former employees and retirees who have money in the Plans (the "Participant" or "Participants"), with a comprehensive, well-managed tax-friendly supplemental retirement savings program, including the following objectives:

- Provide a benefit for the exclusive use of Participants and their beneficiaries.
- Assist Participants in accumulating assets to provide for a portion of retirement needs and/or long-term financial goals.

- Provide a broad range of suitable investment options, recognizing the reality of diverse Participants, financial objectives, risk tolerance, and return requirements.
- Obtain investment options at a reasonable cost, seeking to control overall investment-related service costs.
- Establish criteria to monitor and evaluate the performance results of the investment options.

#### **IV. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the Plan Administrator are set forth in the Plan document and generally include the following:

- Recommend qualified investment options that provide a broad range of risk and return characteristics;
- Recommend investment policies, add and remove investment options, conduct due diligence, and monitor the performance and fees of selected investment options;
- Recommend and secure the services of qualified financial institutions, recordkeepers, consultants and advisors to facilitate the administration of the Plans and its funds, including, but not limited to, preparation of performance reports of investment options, communication of fund performance to Participants, and investment education of Participants;
- Conduct quarterly meetings of the Advisory Committee; and
- Administer and construe all issues arising under the Plans in a uniform, equitable, and non-discriminatory manner.

The Advisory Committee consists of seven (7) members, plus one (1) alternate: an appointed member of the County Board of Supervisors, the Plan Administrator, the County Auditor-Controller, the County Treasurer-Tax Collector, the County Administrator (or designee from the County Administrator office), two (2) elected Participant Representatives, and one (1) elected Alternate Participant Representative. The Advisory Committee is generally responsible for meeting quarterly and at the request of the Plan Administrator to provide guidance to the Plan Administrator regarding issues of Plan administration and operations.

Participants have the responsibility to direct the investment of the assets allocated to their accounts. By virtue of such direction, a Participant determines the amount of risk the Participant is willing to accept.

Consultants or advisors retained by the County or the Plan Administrator to assist in carrying out the duties and responsibilities of the Plans and the Policy (hereinafter "Consultant") must be registered with either federal or state securities regulators pursuant to the Investment Advisors Act of 1940 and

any other applicable federal, state or local laws. The Consultant's role shall be set forth in a separate written agreement whose terms and conditions shall include, but not necessarily be limited to, an acknowledgment of the Consultant's fiduciary obligations with respect to investment and retirement-related advice provided to the Plans. The Consultant shall have no discretionary control or authority over the Plans or their assets.

The investment managers of a fund offered under the Plans are responsible for the specific composition of each fund under its management.

Financial institutions or recordkeepers retained by the County or the Plan Administrator to assist with administration of the Plans and the Policy (hereinafter "Recordkeeper") must be registered and eligible pursuant to all federal, state and local laws. The Recordkeeper's role shall be set forth in a separate written agreement whose terms should provide for Participants' enrollment in, communication with, and education about the Plans, including general information regarding procedures for making investment choices under the Plans. Additionally, the Recordkeeper agreement should provide for required disclosures, distribution processing, recordkeeping, and other administrative functions pertinent to the Plans.

Plan fiduciaries do not provide investment advice to Participants or assist Participants in selecting the investment options in which to invest. Fiduciaries are not responsible for losses in individual accounts resulting from a Participant's investment selections or from any action taken in accordance with Participants' investment directions.

## **V. INVESTMENT OPTION CATEGORIES**

Core Investment Options - The Plans will seek to maintain a selection of investment alternatives across a range of style and risk profiles. The number of alternatives should ensure that sufficient choices are available to meet Participants' needs but should not be excessive to the point that choosing an appropriate mix of options becomes cumbersome. The Plan Administrator may also change the categories of the Core Investment Options to meet Participants' changing needs or changes in the investment industry.

Core Investment Options will be identified as either Tier I or Tier II and may include publicly traded mutual funds (retail and institutional), capital preservation investment options, and commingled fund alternatives which may be actively or passively managed.

Non-Core Investment Options - If Participants desire to invest outside the Core Investment Options, they may choose to direct their existing balances and/or future contributions to Non-Core Investment Options, identified as the Tier III Option. The Tier III Option is a self-directed brokerage window which provides access to a universe of nearly all mutual funds, allowing for diversification beyond the monitored Core Investment Options. The Tier III Option is appropriate for Participants who have guidance in, or an understanding of, the diversification, costs, and the investment risks

involved. No review of performance, risk, management style, investment objectives, and/or investment expenses of Tier III options will be provided by the Plans.

Investment options may be selected from any or all of the following categories:

#### **Tier I Options**

- Asset Allocation/Lifecycle/Target retirement date (combined asset categories mix)

#### **Tier II Options**

- Capital Preservation (Stable Value, Money Market, etc.)
- Bond/Fixed Income
  - Intermediate-Term
  - Inflation-Protected
  - High Yield
- Equity:
  - Large Cap
  - Mid Cap
  - Small Cap
  - International
  - Real Estate
  - Precious Metals

<b>Lifecycle Premixed Portfolio - Retirement Income</b>	
Provide different levels of income and capital growth dependent upon an individual Participant's specific risk tolerance and income needs. The portfolio will be well diversified including U.S. fixed income securities as well as U.S. and international equities. Stocks generally will comprise not more than 40% of the total portfolio. The percentage of international equities generally will not exceed 50% of the equity portion of the fund.	
<b>Benchmark Index:</b>	Custom Blended Index
<b>Peer Group:</b>	US Retirement Income

<b>Lifecycle Premixed Portfolio –2015, 2020</b>	
Provide different levels of income and capital growth dependent upon an individual Participant's specific target retirement or withdrawal date. Portfolios provide different allocations to stocks and bonds dependent upon the target retirement or withdrawal date that is selected. The portfolio will be well diversified including U.S. fixed income securities and U.S. and international equities. Stocks generally will comprise 45%-60% of the total portfolio. The percentage of international equities generally will not exceed 50% of the equity portion of the fund.	
<b>Benchmark Index:</b>	Custom Blended Index
<b>Peer Groups:</b>	US Target Date 2015, US Target Date 2020

<b>Lifecycle Premixed Portfolio – 2025, 2030</b>	
Provide different levels of income and capital growth dependent upon an individual Participant's specific target retirement or withdrawal date. Portfolios provide different allocations to stocks and bonds dependent upon the target retirement or withdrawal date that is selected. The portfolio will be well diversified including U.S. fixed income securities, and U.S. and international equities. Stocks generally will comprise 60%-70% of the total portfolio. The percentage of international equities generally will not exceed 50% of the equity portion of the fund.	
<b>Benchmark Index:</b>	Custom Blended Index
<b>Peer Groups:</b>	US Target Date 2025, US Target Date 2030

<b>Lifecycle Premixed Portfolio – 2035, 2040, 2045, 2050, 2055, 2060, 2065</b>	
Provide different levels of income and capital growth dependent upon an individual Participant's specific target retirement or withdrawal date. Portfolios provide different allocations to stocks and bonds dependent upon the target retirement or withdrawal date that is selected. The portfolio will be well diversified including U.S. fixed income securities, and U.S. and international equities. Stocks generally will comprise 70%-95% of the total portfolio. The percentage of international equities generally will not exceed 50% of the equity portion of the fund.	
<b>Benchmark Index:</b>	Custom Blended Index
<b>Peer Groups:</b>	US Target Date 2035, US Target Date 2040, US Target Date 2045, US Target Date 2050, US Target Date 2055, US Target Date 2060, and US Target Date 2065

<b>Capital Preservation/Stable Value</b>	
Provide high current income relative to cash investments and a high degree of investment safety without fluctuation of principal. Investment returns are derived primarily from interest income. A Fixed or General Account option, which is a fixed rate contract that is backed by an insurance company's balance sheet, is to be of mid-investment-grade rating or higher and backed by a diversified pool of underlying investments. A stable value option will be invested in guaranteed investment contracts (GICs), "synthetic" portfolios, money market instruments, and others, each mainly comprised of investments of short- to intermediate maturity, and which provide for an adequate degree of liquidity. The weighted-average maturity is expected to remain between two and five years at most times. The overall weighted credit-quality rating of the option shall be the equivalent of mid-investment-grade rating or higher. The rating must be obtained from at least one nationally-recognized statistical rating organization (NRSO). If the option's weighted rating declines below this level, the option will be evaluated for corrective action.	
<b>Benchmark Indexes:</b>	5 Year Constant Maturity (CM) US Treasury
<b>Peer Group:</b>	NA

<b>Treasury Inflation-Protected Bond (TIPS)</b>	
Provide inflation protection by primarily investing in high quality bonds whose returns are linked to a measure that is representative of inflation in the United States. The fund may hold smaller allocations to other fixed income instruments and investments that are expected to serve as a hedge on inflation.	
<b>Benchmark Index:</b>	Bloomberg US TIPS Index
<b>Peer Group:</b>	US Inflation-Protected Bond

<b>Intermediate-Term Bond</b>	
Provide capital appreciation and income through a diversified, actively managed fixed income portfolio. The portfolio's duration is expected to be comparable to that of its Benchmark Index, with some bandwidth allowed for the manager to exercise strategic deviation from the Benchmark. Average credit quality is expected to be investment grade. The fixed income portfolio will normally be primarily comprised of investments including money market instruments, U.S. Government and Agency bonds, mortgage-backed securities, corporate bonds, and others. The manager will be given discretion to hold securities that are not contained within the Benchmark Index, which may include Foreign Bonds, High Yield Bonds, Convertibles, Treasury Inflation Protected Securities, derivatives, and others. The portfolio's aggregated composition and risk and return characteristics however are expected to be reflective of its asset class.	
<b>Benchmark Index:</b>	Bloomberg US Aggregate Bond Index
<b>Peer Group:</b>	US Intermediate Core Bond, US Intermediate-Core Plus Bond

<b>High Yield Bond</b>	
Provide high current income and capital appreciation through a diversified, actively-managed portfolio of non-investment grade high yield securities. The manager will be given discretion to hold securities that are not contained within the Benchmark Index, which may include Foreign Bonds, Investment Grade Bonds, Convertibles, derivatives, and others. The portfolio's aggregated composition and risk and return characteristics however are expected to be reflective of its asset class.	
<b>Benchmark Index:</b>	Bloomberg US Corporate High Yield Index
<b>Peer Group:</b>	US High Yield

<b>U.S. Large Company Equity</b>	
Provide long-term capital appreciation through a diversified common stock portfolio whose average market capitalization may be categorized as Large Cap by an industry standard data provider. Stocks of foreign companies that are traded in the U.S. may also be included but are expected to constitute a minority portion of the portfolio.	
<b>Benchmark Indexes:</b>	S&P 500 Index, Russell 1000 Growth Index, Russell 1000 Value Index
<b>Peer Groups:</b>	US Large Blend, US Large Growth, US Large Value



<b>U.S. Mid-Size Company Equity</b>	
Provide long-term capital appreciation through a diversified common stock portfolio whose average market capitalization may be categorized as Mid Cap by an industry standard data provider. Stocks of foreign companies may also be included but are expected to constitute a minority portion of the portfolio.	
<b>Benchmark Indexes:</b>	Custom Blended US MC Index, Russell MC Growth Index, Russell MC Value Index
<b>Peer Groups:</b>	US Mid Blend, US Mid Growth, US Mid Value

<b>U.S. Small Company Equity</b>	
Provide long-term capital appreciation through a diversified common stock portfolio whose average market capitalization may be categorized as Small Cap by an industry standard data provider. Stocks of foreign companies may also be included but are expected to constitute a minority portion of the portfolio.	
<b>Benchmark Indexes:</b>	Custom Blended US SC Index, Custom Blended Small Cap Growth Index, Russell 2000 Value Index
<b>Peer Groups:</b>	US Small Blend, US Small Growth, US Small Value

<b>International Equity</b>	
Provide long-term capital appreciation through a diversified, actively managed portfolio of international equities. Stocks of emerging countries may be used at the discretion of the manager but are expected to constitute a minority portion of the portfolio at most times. However, the Plan Administrator may add an investment option dedicated to emerging markets if they feel doing so is in the best interest of Participants.	
<b>Benchmark Indexes:</b>	MSCI AC World ex-USA Growth (net), MSCI AC World ex-USA Value (net)
<b>Peer Groups:</b>	US Foreign Growth, US Foreign Value

<b>Real Estate</b>	
Provide income and capital appreciation by investing in a diversified portfolio of equity securities of companies whose primary source of revenue stems from the real estate sector. This portfolio is expected to include equity securities of companies categorized as Real Estate Investment Trusts, which are obligated to pay the vast majority of their earnings out as dividend income.	
<b>Benchmark Index:</b>	DJ Select REIT Index
<b>Peer Group:</b>	US Real Estate

<b>Precious Metals</b>	
Provide capital appreciation and a long-term hedge on inflationary pressures by investment in companies and securities whose main value or line of business is based on the metals and mining sector. The holdings of such a fund may be equity securities or derivatives whose value is directly, positively linked to that of various precious metals or the mining sector. Securities of international issuers may be held as a minority portion of this fund.	
<b>Benchmark Index:</b>	MSCI World/Metals & Mining (net) Index
<b>Peer Group:</b>	US Fund Equity Precious Metals

### **Tier III Option**

- Self-Directed Brokerage Window (Non-Core Investment Options)

To invest outside of the Core Investment Options, Participants must have a minimum of ten thousand dollars (\$10,000) within the 457 Plan. An initial transfer must be at least \$5,000 with subsequent transfers in increments of not less than one thousand dollars (\$1,000). Participants may place up to 50% of their 457 Plan account balance in investments in the Tier III option.

### **VI. INVESTMENT SELECTION GUIDELINES**

Core Investment Options may be added or subtracted from the Plans using performance and administrative criteria as set forth herein.

### **VII. PERFORMANCE CRITERIA**

Fund performance for each of the investment options will be evaluated on an ongoing basis against set criteria. These criteria include, but shall not be limited to:

- Quantitative measures (for active and passive investment strategies);
- Qualitative measures (personnel departures, organizational changes, philosophical or strategic alterations, adherence to guidelines;
- Risk characteristics;
- Time periods (full market cycle evaluations, long-term perspective favorable to short-term fluctuations); and
- Performance expectations (meet or exceed appropriate benchmark indices or peer groups).

### **VIII. MONITORING AND ONGOING EVALUATION OF INVESTMENT OPTIONS**

Ongoing review and analysis of investment options is just as important as the initial due diligence process. On a timely basis, but not less than annually, each investment option will be reviewed to determine if it continues to be in compliance with each of the agreed-upon guidelines. Factors for consideration include, but are not limited to:

- Organization – changes in personnel, ownership, management, advisors;
- Investment Policy – changes in the mandate of the fund, including the strategy or benchmark; changes in the general operations of the fund, such as a substantial change in portfolio turnover or trading practices;
- Consistent Style - significant changes in investment management style or style drift over a prolonged period;
- Legal Issues – any violations of U.S. Securities and Exchange Commission rules and/or other regulations, ongoing litigation, settlements, or disciplinary actions;
- Operational Issues - difficulties with fund transfers or pricing;

- Expenses - excessive costs; fees higher than peer group average;
- Fit with the Plan - negligible use by Participants; many options with fundamentally the same style; other reasons seen that the investment option will no longer meet the needs of the program;
- Performance – not meeting objectives in comparison to primary and/or stylized benchmark and peers;
- Fund Size or Concentration – growth, depletion or concentration of assets under management; and
- Other – circumstances or issues that might compromise an option's future prospects or suitability for the Plan.

## **IX. UNDERPERFORMING FUNDS**

A number of factors may contribute to a manager's under- or over-performance at any given time: market dynamics, investment skill, and/or luck. Given this uncertainty, investment performance will be evaluated from a long-term perspective.

The decision to retain or terminate an investment option cannot be made by formula. It is the confidence in the investment option's ability to perform in the future that ultimately determines the retention of the investment option. Underperforming investment options may be placed under formal review, which will result in increased scrutiny of the option beyond the normal quarterly review process. Formal review may consist of any of the following actions:

- Watch List - an investment option that fails to meet performance standards for two consecutive quarters or experiences any of the issues outlined in Section VIII may be placed on the Watch List.
- Removal - experiencing one or more of the issues set forth in Section VIII or continuing failure to meet performance criteria could result in an investment option being removed from the Plans investment options.

Target Date funds will be evaluated based on the performance of the entire suite as held within the Plans. A Target Date suite will normally be viewed as being in violation of investment policy performance criteria if over one-half of the funds in a Target Date suite held within the Plans lag the Policy's prescribed performance measures. The Plan Administrator and/or Advisory Committee may elect to deviate from this approach if it appears reasonable to do so.

When an investment option has been placed under formal review, an evaluation will be conducted of the investment option, its operations, and its performance. Upon completion of the evaluation, the option may continue under formal review status, be removed from formal review, or be terminated from the program. To be removed from quantitative, performance-related watch status, generally, performance for the preceding five-year trailing periods should be above the benchmark index or median for at least two consecutive quarters.

While the steps of the formal review process are generally intended to be sequential, extenuating or unusual circumstances may warrant action that is faster or slower than might otherwise be indicated. For example, an investment option that is on Watch List status might experience a management change that brings proven managers from another fund in to take over control. Where removal might otherwise be indicated, the prior experience of the new management team may warrant retaining the fund in the Plans while the new team is given an opportunity to restore performance to acceptable levels. Similarly, a fund with acceptable past performance might be considered for immediate removal if a management change or other circumstance sufficiently compromises the fund's prospects for ongoing success.

#### **X. FEEES**

All fees, commissions and charges for each selected Core Investment Option (excepting General Account Capital Preservation options) must be fully disclosed to the Plans before it is made available to Plan Participants. Information regarding net returns will be available to all Participants at enrollment and other appropriate intervals. The Plans will strive to provide low-cost options to Participants, but recognize that superior performance at a higher cost may outperform lower cost alternatives, making such higher cost options suitable for inclusion in the Plans.

#### **XI. COMMUNICATIONS TO PARTICIPANTS**

Information about each investment option will be given or made available to Participants to help them to make informed investment choices. The Plans may direct the record-keeper to provide, at least quarterly, statements of performance for any funds within the Plans.

#### **XII. INVESTMENT EDUCATION**

The purpose of the education program is to provide information and tools to assist Participants in the development of a personal investment strategy to facilitate the achievement of savings and retirement goals. Education will be provided through periodic classes, webinars, online learning opportunities, written materials, and one-on-one counseling with trained investment professionals. No educational opportunities should be construed as investment advice. Participants are individually responsible for any and all investment decisions and directions.

#### **XIII. PROXY VOTING**

The Plan Administrator has discretion to vote the proxies of the mutual funds held as Core Investment Options in the Plans, consistent with his or her responsibility to administer the Plans in the best interests of the Participants.

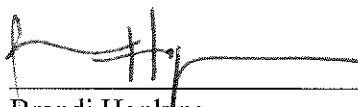
**XIV. HISTORY**

09/23/14      Adopted by the San Joaquin County Board of Supervisors (B-14-556)

01/10/20      Amended by the Plan Administrator/Director of Human Resources

06/23/20      Amended by the Plan Administrator/Director of Human Resources

Certification of Amendment:



Brandi Hopkins  
Plan Administrator/Director of Human Resources



Date