

Investment Policy Statement

County of San Mateo

Retirement Plans

Adopted: 2022

Updated 2023



Contents

I. Basic Information

- A. Purpose of this Investment Policy Statement**
- B. Policy Objectives**

II. Responsibilities

- A. Delegation of Authority by the Committee**
- B. Responsibility of Participants**
- C. Conflicts of Interest**

III. Investment Policies and Guidelines

- A. Asset Classes and Investment Style Groups**
- B. Self-Directed Brokerage Accounts**
- C. Performance Expectations**
- D. Selection of Fund Managers and Options**
- E. Ongoing Review**

IV. Fee Policies and Guidelines

- A. Monitoring Costs**
- B. Plan Fees Overview**

V. Adoption of the Investment Policy Statement

Exhibits

- A. Key Information**
- B. Investment Options and Benchmarks**

I. Basic Information

This Investment Policy, which was adopted by The County of San Mateo, California, acting by and through its Deferred Compensation Advisory Committee “Committee”, applies to the 457 Deferred Compensation Plan, 401(a) Plan, OBRA Plans and HRA Plan “Plans” sponsored by The County of San Mateo.

As described more fully in the Plan Documents, the purpose of the Plans is to provide eligible employees with long-term accumulation of retirement savings and earnings through employee and, possibly, employer contributions to individual participant accounts. Both the authority and the responsibility for investing and retirement planning belong to the employees. The Plans are a component of an individual’s assets to be used at retirement.

Although exempt from ERISA, the Committee intends for the Plan to comply to Section 404(c) and Section 2550.404(c)-1 Title 29 of the Code of Federal Regulations. Plans subject to 404(c) enable participants to decide how individual accounts are to be invested and Plan fiduciaries may not be liable for Plan losses that are the direct and necessary result of participant instructions.

Exhibit A details key Plan information.

A. Purpose of this Investment Policy Statement

The Committee has the authority to select and monitor the investment options of the Plans. The purpose of this Investment Policy Statement (IPS) is to establish guidelines for effectively selecting, monitoring and evaluating the investment options to be made available to participants in the Plans, and setting forth responsibilities of various parties with respect to the investment program for the Plans. The investment program for the Plans is defined in various sections of this IPS by:

- Stating in this document the Committee’s expectations, objectives, and guidelines with respect to the investment of Plan assets.
- Providing guidelines for assembling the various investment options into an overall structure to include various asset classes, investment management styles and asset allocation portfolios so that, when viewed as a whole, the investment options are expected to allow a participant to achieve a sufficient level of overall diversification.
- Establishing formalized criteria to monitor, evaluate and compare the performance results achieved by the fund managers on a regular basis and a method by which changes are made.
- Outlining fiduciary responsibility, prudence and due diligence requirements that experienced fund managers and other fiduciaries would utilize in managing and overseeing retirement plan assets.

B. Policy Objectives

The overall objective of this policy is to establish an investment structure that will meet a broad range and diverse set of current and projected financial needs of the Plan participants.

Within this overall objective, the Committee has identified the following additional objectives:

1. To design a prudent process for investment selection and ongoing monitoring.
2. To maintain flexibility in meeting the future needs of the participants.
3. To maximize return within reasonable and prudent levels of risk by providing investment options which cover a broad range of risk and return characteristics.
4. To control costs of the administration and investments of the Plans.
5. To undertake all transactions solely in the interest of the participants and beneficiaries.
6. To enable participants to exercise investment control over their individual investments.
7. To make investment education available to participants.

The Committee will rely on the Plan Sponsor and/or the Plan's recordkeeper to oversee communication to employees and participants that they control their own investments and to provide communication materials, including fund prospectuses and ongoing educational materials, intended to assist participants in making informed investment decisions

It is intended that this IPS be reviewed periodically and updated as necessary and made available to participants upon request. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

II. Responsibilities

The Committee is responsible for the prudent administration of this IPS with specific responsibilities that include design of the Plans' investment options; establishing investment policy objectives and guidelines; prudent selection of funds to be offered; and ongoing monitoring. The Committee may contract with a consultant to assist in these responsibilities.

A. Delegation of Authority by the Committee

The Committee is a fiduciary and is responsible for providing the investment framework and for monitoring the investment management of the Plans. As such, the Committee is authorized to delegate certain responsibilities to professional experts in various fields. These may include, but shall not be limited to:

1. **Funds and Fund Managers.** Each fund manager will have discretion to purchase, sell, or hold specific securities or products that will be used to meet the investment objectives. The Committee, with the assistance of the Investment Management Consultant, will monitor and review each fund's achievement of the objectives for which it was selected.
2. **Investment Management Consultant.** This consultant may assist the Committee in establishing investment policy, objectives, and guidelines; selecting funds and fund managers; reviewing such funds and fund managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate. The Investment Management Consultant is required to be a co-fiduciary.

3. **Recordkeeper / Third Party Administrator (TPA).** A recordkeeper will track individual participant balances and process participant contributions, disbursements and transfers. The recordkeeper will reconcile participant balances with trust account balances to maintain alignment. The recordkeeper/TPA will also perform testing and produce management reports that ensure the Plans' compliance with applicable laws and regulations. These services may be bundled with those of the custodian bank.
4. **Custodian Bank.** A custodian bank will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Plans, collect dividends and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased or sold, as well as movement of assets into and out of the Plans' accounts. These services may be bundled with those of the recordkeeper/third-party administrator.
5. **Additional specialists.** Additional specialists such as attorneys, auditors, actuaries and others may be employed by the Committee to assist in meeting its responsibilities and obligations to administer the Plan assets prudently.

Such experts may also be deemed to be fiduciaries; they must acknowledge such in writing either by contract or prospectus. All expenses for such experts must be customary and reasonable, and may be borne by the Plans as deemed appropriate and necessary.

B. Responsibility of Participants

The Plans grant to each participant the right and responsibility to choose how his/her account is to be allocated among the investment options. Each participant is responsible to seek education and training to be prepared to select a combination of investment options based on the participant's unique time horizon, risk tolerance, return expectation and asset class preferences.

C. Conflicts of Interest

All Committee members and the Investment Management Consultant will refrain from personal business activity that could create an appearance of impropriety, that could conflict with the proper execution and management of the retirement plan program, or that could impair their ability to make impartial Plan decisions.

III. Investment Policies and Guidelines

A. Asset Classes and Investment Style Groups

Asset classes are chosen because of their long-term return histories that are reasonably useful in evaluating probable future standard deviation and correlation. They are selected to balance the risk and rewards of market behavior. Within each of the broad asset classes, options will be diversified to allow participants to choose from a range of equity capitalization and fixed income maturities. To facilitate diversification within asset classes, various style groups will be made available.

The Committee may add, delete, or replace a particular asset class or style of investment management if the Committee deems it appropriate to do so.

The Committee believes that Environmental, Social and Governance (ESG) factors may have a material impact on the long-term financial success of its investments. The Committee may consider ESG as part of the decision-making process and evaluation of managers.

Exhibit B details the current investment lineup and benchmarks for the Plans.

B. Self-Directed Brokerage Accounts

The self-directed brokerage option is designed for a sophisticated, experienced and knowledgeable investor. The Plans, Committee, Investment Management Consultant and its recordkeeper have no expressed or implied responsibility for the evaluation, selection and/or monitoring of the continued offering of the investment options in any self-directed brokerage account program by the Plans, including no duty to supervise or monitor the Participants' or Beneficiaries' investment experience in the self-directed brokerage account program(s).

C. Performance Expectations

Over time, each active investment option's overall annualized total return should perform above their benchmark and at or above the median of portfolios of similar style and passive options should track their respective index. The Committee will continually monitor and review funds against this expectation.

D. Selection of Fund Managers and Options

The Committee, with the assistance of the Investment Management Consultant, will select appropriate fund managers to manage Plan assets. The following minimum criteria must be met:

1. The fund options will be managed by a bank, insurance company, investment management company or investment adviser as defined by the Registered Investment Advisers Act of 1940.
2. Historical quarterly performance numbers, calculated on a time-weighted basis based on a composite of all fully discretionary accounts of similar investment style, will be utilized for performance screening.
3. Performance evaluation reports that illustrate the risk/return profile of the manager relative to other managers of like investment style will be utilized.
4. Detailed information on the history of the fund management firm, its key personnel, and associated costs will be analyzed.
5. Each fund's investment strategy must be described, and successful adherence to that strategy over time must be documented.
6. Fund managers must compare favorably against a comparable peer group for selection.
7. Each fund manager will acknowledge, through the fund prospectus, the following duties and responsibilities.

- a. Exercise investment discretion, including holding cash equivalents as an alternative, within stated investment constraints, objectives and guidelines.
 - b. Promptly inform, by prospectus, all significant and/or material matters and changes pertaining to the investment of assets, especially as they relate to its stated investment philosophy and investment management decision process. These factors include, but are not limited to:
 - Investment strategy
 - Portfolio structure
 - Tactical approaches
 - Ownership
 - Organizational structure
 - Financial condition
 - Professional staff
 - Recommendations for guideline changes
 - Internal expenses and management costs
 - All legal material, SEC and other regulatory agency proceedings affecting the firm
 - c. Utilize the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced investment professionals acting in a like capacity and fully familiar with such matters would use in like activities with like aims in accordance and compliance with IRS regulations and all applicable laws, rules and regulations from local, state, federal and international political entities pertaining to fiduciary duties and responsibilities.
8. The Committee and its Investment Management Consultant will determine the appropriateness of each fund manager based on the objectives and guidelines stated in the IPS.
 9. Target-Date Retirement portfolios are subject to additional criteria detailed in Section E.

E. Ongoing Review

1. **Performance Objectives and Review.** Investment performance will be reviewed quarterly to determine the continued feasibility of achieving the investment objectives and the continued appropriateness of the IPS for achieving those objectives. Progress toward attainment of the performance expectations of the IPS will be examined; emphasis will be placed on peer group comparisons with managers employing similar styles. It is understood that there are likely to be short-term periods during which performance deviates from appropriate indices and peer comparisons. The Committee will exercise its prerogative to take corrective action by replacing a fund manager at the appropriate time, if so determined.

At the Committee's quarterly meeting, the Committee will consider:

- a. Manager's consistency with the style mandate expressed in the prospectus;
- b. Material changes in the manager's organization, investment philosophy and/or personnel;
- c. Comparison of the manager's results to the appropriate benchmark outlined in Exhibit B;

- d. The risk associated with each manager's portfolio, as measured by the variability of quarterly returns (standard deviation), compared with the benchmark index;
- e. The manager's performance relative to its peers (managers of like investment style or strategy outlined in Exhibit B).

As the Committee becomes aware of major organizational changes, it may warrant immediate review of the fund manager. These include, but are not necessarily limited to, the following events:

- Change in management structure
- Significant account losses
- Significant growth of new business
- Change in ownership
- Change in process/philosophy/style
- Change in cost

2. **Monitoring and Selecting Target-Date Retirement Portfolios.** Target-Date Retirement Portfolios, also known as lifecycle or age-based funds, are designed to provide a simple investment solution through a portfolio whose asset allocation mix becomes more conservative over time. Because of the nature of how such portfolios are designed and allocated, they are not only subject to the selection and monitoring criteria listed in other sections of this IPS, but also the additional criteria listed below.

- a. **Glidepath.** Evaluation will include an understanding of the Target-Date Retirement Portfolio glidepath, including when the glidepath will reach its most conservative asset allocation and whether that will occur at or after the target date.
- b. **Asset Allocation.** Evaluation will include understanding the fund's investments – the allocation in different asset classes and sub-asset classes and how these will change over time.
- c. **Underlying Investments.** Consideration will be given to the stability and continuity of the underlying investments included in the Target-Date Retirement Portfolio.

IV. Fee Policies and Guidelines

A. Monitoring Costs

The Committee will review the service contracts and costs associated with the Plans on an ongoing basis. Areas to be reviewed include:

- Fund Managers
- Investment Management Consultant
- Recordkeeper / Third Party Administrator
- Custodian Bank (if unbundled from Recordkeeper)

B. Plan Fees Overview

It is the Committee's intention to ensure that any fees paid from Plan assets are reasonable and transparent. The Committee retains all discretion and authority necessary to determine the way Plan fees will be paid, including the extent to which the Plan Sponsor will subsidize the cost of the Plans by directly paying Plan expenses and/or the extent to which Plan expenses will be paid from the Plan participant accounts.

V. Adoption of the Investment Policy Statement

This policy is hereby adopted by action of the Committee on _____.

The County of San Mateo

Date

Innovest Portfolio Solutions

Date

Exhibit A: Key Information

Plan Name(s)	County of San Mateo Deferred Compensation Plans OBRA Plan San Mateo County, CA Post Emp HRA
Plan Sponsor	County of San Mateo, California
Plan Type(s)	457, 401(a), HRA
Participant Directed Investment Options	Yes
Frequency to Change Investment Options	Generally no restrictions; however, some funds may charge short-term redemption fees.
Investment Management Consultant	Innovest Portfolio Solutions LLC 7979 E. Tufts Avenue, Suite 1700 Denver, CO 80237
Third Party Administrator	Empower Retirement

Exhibit B: Investment Options and Benchmarks

Asset Class	Style Group	Benchmark	Peer Group/Style Universe	Mutual Fund Name
Equity	All Cap Equity	CRSP U.S. Total Market TR Index	U.S. Multi-Cap Core Equity	Vanguard Total Stock Market Index
Equity	Large Cap Value Equity	Russell 1000 Value Index	U.S. Large Cap Value Equity	American Funds American Mutual
Equity	Large Cap Core Equity	S&P 500 Index	U.S. Large Cap Core Equity	American Funds Fundamental Investors
Equity	Large Cap Core Passive Equity	S&P 500 Index	U.S. Large Cap Core Equity	Fidelity 500 Index
Equity	Specialty Equity/ Large Cap Core Equity	S&P 500 Index	U.S. Large Cap Core Equity	Parnassus Core Equity
Equity	Large Cap Growth Equity	S&P 500 Growth Index	U.S. Large Cap Growth Equity	American Funds Growth Fund of America
Equity	Mid Cap Value Equity	Russell Mid Cap Value Index	U.S. Mid Cap Value Equity	American Century Mid Cap Value
Equity	Mid Cap Core Passive Equity	Russell Mid Cap Index	U.S. Mid Cap Core Equity	Fidelity Mid Cap Index
Equity	Mid Cap Growth Equity	S&P Midcap 400 Growth Index	U.S. Mid Cap Growth Equity	MassMutual Mid Cap Growth
Equity	Small Cap Value Equity	Russell 2000 Value Index	U.S. Small Cap Value Equity	Boston Partners Small Cap Value II
Equity	Small Cap Core Passive Equity	Russell 2000 Index	U.S. Small Cap Core Equity	Fidelity Small Cap Index
Equity	Small Cap Growth Equity	Russell 2000 Growth Index	U.S. Small Cap Growth Equity	Harbor Small Cap Growth
Equity	International Core Equity	MSCI EAFE Index	International Multi-Cap Core Equity	Fidelity International Index
Equity	International Growth Equity	MSCI EAFE Growth Index (Net)	International Large Cap Growth Equity	American Funds EuroPacific Growth
Equity	Emerging Market Equity	MSCI Emerging Markets Index (Net)	Emerging Markets Equity	Invesco Developing Markets
Fixed Income	Core Fixed Income	Bloomberg U.S. Aggregate Bond Index	U.S. Broad Market Core Fixed Income	Fidelity US Bond Index
Fixed Income	Core Fixed Income	Bloomberg U.S. Aggregate Bond Index	U.S. Broad Market Core Fixed Income	PIMCO Total Return
Fixed Income	Treasury Inflation-Protected Securities	Bloomberg U.S. TIPS 10+ Year Index	U.S. TIPS	PIMCO Long-Term Real Return
Fixed Income	Treasury Inflation-Protected Securities	Bloomberg U.S. TIPS Index	U.S. TIPS	PIMCO Real Return (HRA Plan Only)
Stable Value	Stable Value	Ryan 3 Year GIC Master Index	U.S. GIC/Stable Value	SAGIC Core Bond II
Stable Value	Stable Value	Ryan 3 Year GIC Master Index	U.S. GIC/Stable Value	MassMutual Stable Value Group Annuity (HRA Plan Only)
Cash and Equivalents	Cash/Money Market	90 Day U.S. Treasury Bill	N/A	Bank of the West Savings
Target-Date Retirement Portfolios	Target-Date Retirement Portfolios	Vanguard Target Composite Index	Mixed Asset Target	Vanguard Target Retirement Income Vanguard Target Retirement 2020

				Vanguard Target Retirement 2025 Vanguard Target Retirement 2030 Vanguard Target Retirement 2035 Vanguard Target Retirement 2040 Vanguard Target Retirement 2045 Vanguard Target Retirement 2050 Vanguard Target Retirement 2055 Vanguard Target Retirement 2060 Vanguard Target Retirement 2065
Self-Directed Brokerage Account	N/A	N/A	N/A	Schwab Personal Choice Retirement Account