

**Investment Policy Statement  
for the  
Multnomah County, Oregon  
Employees' Deferred Compensation Plan**

## **Table of Contents**

I.	Introduction.....	3
II.	Plan Investment and Structural Objectives.....	4
III.	Roles and Responsibilities.....	4
IV.	Investment Guidelines.....	6
V.	Selection, Monitoring and Evaluation.....	8
VI.	Acknowledgement.....	11

## I. Introduction

Multnomah County sponsors the Multnomah County, Oregon Employees' Deferred Compensation Plan ("the Plan") for the benefit of its employees. The Plan is intended as a tax-favored means for employees to accumulate retirement savings.

The Plan is intended to be a tax-qualified employee benefit plan that complies with applicable federal laws and regulations, including the Internal Revenue Code of 1986, as amended. The Plan, being sponsored by a public sector entity, is not bound by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Plan is intended to be consistent with its obligations under the Oregon Constitution and will use ERISA, where applicable and prudent, as a guiding resource. ERISA requires that plans are established and maintained pursuant to one or more written documents that identify at least one fiduciary with authority and control over the plan's operation and management. If a fiduciary is not designated by the plan, then the plan sponsor (i.e., the employer that sponsors the plan) is the fiduciary by default.

Under the Plan's document(s), the fiduciary with responsibility for selecting and monitoring the Plan's investment options is the County Chief Financial Officer or designee ("Plan Fiduciary"). The Plan Fiduciary may delegate this responsibility to a retirement plan committee ("Plan Committee") established through a charter or similar document approved by the Plan Fiduciary.<sup>1</sup> The Plan Fiduciary or Plan Committee (if one has been appointed) is responsible for implementing and carrying out the provisions of this Investment Policy Statement ("IPS"), either directly, or through delegation to prudently selected and monitored service providers.

Plan participants ("Participants") have a range of 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 a range normally appropriate for a person saving for retirement. The Core Menu will consist of mutual funds and/or other similar investment vehicles ("Funds"). Participants may also select a pre-constructed participant portfolio option (as discussed in Part IV). The Core Menu's Funds and pre-constructed participant portfolio options are referred to as "Designated Investment Alternatives". The managers of the Designated Investment Alternatives are referred to as "Fund Managers."

The Plan is intended to comply with the guidance offered under ERISA §404(c) and related sources, including U.S. Department of Labor regulation §2550.404c-1. The Fund Managers and other service providers will furnish services and information to assist the Plan Fiduciary in complying with the guidance of ERISA §404(c). The Plan Fiduciary recognizes that Participants solely bear the risk associated with their selections among the Designated Investment Alternatives.

---

<sup>1</sup> Note that although the Plan Fiduciary may delegate certain fiduciary responsibilities to others (such as a retirement plan committee), the Plan Fiduciary must continue to monitor the activities of its delegates to ensure that the delegates are carrying out their duties.

## **II. Plan Investment and Structural Objectives**

This IPS sets forth the process for making investment-related decisions with respect to Plan assets and is intended to follow the guidance offered under the ERISA standards of fiduciary conduct. It outlines the underlying investment philosophy of the Plan Fiduciary and the specific processes utilized in the initial selection, monitoring, and evaluation of the Investment Consultant, Fund Manager(s), and Designated Investment Alternatives offered in the Plan. More specifically, this IPS:

- Describes the Plan investment goals and objectives;
- Describes the roles of those responsible for the Plan investment options;
- Describes the criteria and procedures for initially selecting fund managers;
- Establishes investment procedures, measurement standards, and monitoring criteria for the ongoing evaluation of fund managers;
- Describes corrective actions the Plan Fiduciary may take if fund managers and investment options fail to satisfy the established objectives;

Implementation of the Plan IPS has as its objectives the following:

- 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 the investment of their Plan balances.
- Fulfillment of the requirements of the Department of Labor's Fiduciary Requirements for Disclosure in Participant-Directed Individual Account Plans (§404(a)(5) Regs.) or as required by the Oregon Constitution.
- The identification of Default Investment Alternatives which meet the Department of Labor's criteria for Qualified Default Investment Alternatives (QDIAs).

This IPS is subject to review by the Plan Fiduciary and may be modified at any time as deemed necessary by the Plan Fiduciary. This IPS is intended to provide the Plan Fiduciary with sufficient flexibility to respond to developments in current and future market conditions as well as changes in legal and regulatory requirements. Accordingly, the Plan Fiduciary may make exceptions to this IPS if deemed prudent, in lieu of formally amending this IPS.

## **III. Roles and Responsibilities**

The Plan Fiduciary or Plan Committee will, consistent with ERISA §404(a)(1) as a guiding resource, discharge its duties with respect to the Plan solely in the interests of the Participants, for the exclusive purpose of providing benefits to Participants and beneficiaries. It will ensure that expenses are reasonable given the services received and regularly monitor these expenses as market conditions change. It will conduct itself 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 (prudent expert) would use in the conduct of an enterprise of a like character and with like aims.

The Plan Fiduciary, or Plan Committee, is responsible for the following:

- Establishing and periodically reviewing this IPS
- Reviewing investment-related fee disclosures, with guidance of ERISA §408(b)(2) as appropriate
- Reviewing the performance of the Designated Investment Alternatives
- Selection and monitoring of the Plan Fund Manager(s)
- Determining the nature and frequency of participant education
- Seeking advice as necessary to effectively accomplish these responsibilities

#### Investment Consultant

The Plan Fiduciary 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 will have the responsibility to recommend Designated Investment Alternatives to the Plan Fiduciary, or Plan Committee. The Plan Fiduciary is then responsible for making the final investment decision and to replace the Designated Investment Alternatives, if necessary, consistent with the terms of this IPS. The Investment Consultant will monitor the performance, fees, and characteristics of all Designated Investment Alternatives, reporting its findings and conclusions in writing to the Plan Fiduciary on a regular basis.

The Investment Consultant may also assist the Plan Fiduciary, or Plan Committee, with the evaluation of the Plan's service providers from time to time.

#### Fund Manager(s)

The Fund Manager(s) invest the assets of the plan Core Menu options. These options are look-through investment pools organized as mutual funds (1940 Act Investment Companies), variable annuity investment options, collective investment trusts (CITs), separate accounts (SAs), or other similar investment structures. The Fund Manager(s) operate the investment portfolios according to stated objectives. The Core Menu option objectives are expected to be distinct in style and intent. It is expected that component investments intended to conform to the fund objectives will be selected as the principle fund holdings. In the case of hybrid investment funds, the portfolio mix will reflect a combination of investment goals, including, but not limited to, both growth of capital and current income. This will also be the case for the pre-constructed participant portfolio options operated by the Fund Manager(s).

#### Recordkeeper

The Recordkeeper is responsible for maintaining and updating individual account balances, including information regarding plan contributions, withdrawals, and distributions and otherwise acting on the direction of the Plan Fiduciary or Plan Committee.

## Trustee

The trustee(s) of the Plan is responsible for holding and investing Plan assets in accordance with the terms of the Trust Agreement.

## **IV. Investment Guidelines**

The Investment Consultant will assist the Plan Fiduciary, or Plan Committee, with constructing a Core Menu of investment options—each of which are diversified and have materially different risk and return characteristics as required by ERISA §404(c)—into which Participants may direct the investment of their Plan accounts and new contributions. The Core Menu options will offer Participants access to diverse investment management styles, asset classes, regional exposures, and/or industry sector or management strategies the Investment Consultant believes to be beneficial in constructing portfolios. Through various combinations of Core Menu options, each Participant will have the capability to construct a prudently diversified portfolio with aggregate risk and return characteristics within a range normally appropriate for a like-Participant saving for retirement. The Investment Consultant shall be mindful of the fiduciary requirement of ERISA §404(a)(1) to ensure the investment menu allows for diversification of Plan investments so as to minimize the risk of large losses, unless, under the circumstances, it is clearly not prudent to do so.

The Core Menu can be broken up into different segments:

- Pre-constructed participant portfolio options are intended to simplify the selection of an appropriately diversified portfolio by providing options that include a diversified array of asset classes suitable for a range of participant return objectives and risk constraints. These may include target-date funds, risk-based portfolios, or managed accounts.
- Participant selected options are appropriate for participants who may wish to construct their own investment portfolios.

## Target-Date Fund(s)

A target-date fund is usually identified by a distinct calendar year. Its investment strategy is reflective of a “glide path”, i.e., the current mix of assets which today represents an appropriate investment given the number of years until a specified retirement age. Over time, the mix of assets within the target-date investment will reflect a decreasing level of expected market risk. Market risk is primarily determined by the investment’s allocation to Equities. The systematic reduction of risk reflects the life stage investment principle that, as retirement approaches, there is an increasing need to preserve the capital of a portfolio that may be a primary source of retirement income. Financial planning practices also recommend that an investor at retirement age allocate a portion of their portfolios to stocks to provide for a long-term hedge against inflation throughout the retirement years. Importantly, participants can alternatively choose a target-date investment fund that reflects the level of risk they deem appropriate for their circumstances at the time of selection, regardless of retirement date designated for the fund.

Unless otherwise indicated, target-date funds are intended to comply with guidance from the Department of Labor’s final regulations on Qualified Default Investment Alternatives (QDIAs). 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 investment whose identifying date is identical to, or alternatively, closest but immediately preceding the year the participant will reach the normal retirement age defined by the plan.

### Managed Accounts

The Plan permits a Participant the opportunity to opt into a managed account. A managed account is a type of investment service where a professional manager sets the asset allocation for a participant and builds a portfolio from the funds in the lineup. The managed account allocation may take into account various participant demographic data such as age and risk tolerance. Participants, at their option, may elect to have some or all of their Plan account balance and/or future contributions invested within the managed account, subject to any limitations of the software systems or other constraints of the Plan's Recordkeeper. If a participant makes such an election, that account is not bound by the investment restrictions of this IPS.

A managed account service is guided by an investment advisor and the investment advisor is a fiduciary to the extent of the advice provided within the service. The Plan fiduciary is responsible for both allowing the inclusion of a Managed Account Service within the Plan investment menu and for performing ongoing oversight of the service. The Plan Fiduciary may seek assistance with this ongoing oversight responsibility.

### Participant Selected Options

In general, all Core Menu options will be characterized as holding either Equity (stocks) or Fixed Income (bonds and cash) investments or a 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 may identify investment options within various Sub-Asset Classes it deems appropriate for a well-diversified Core Menu.

The Investment Consultant may designate as Core Menu options various passively managed indexed options from which a Participant can construct a low cost prudently diversified portfolio.

### Self-Directed Brokerage

A Self-Directed Brokerage (SDB) is a facility offered within the Plan that permits the Plan participants to invest in options outside the Core Menu of the Plan. These may include mutual funds, Exchange Traded Funds, individual stocks, individual bonds, and hybrid vehicles including multiple asset classes.

The Plan Fiduciary bears responsibility exclusively for the initial inclusion of the SDB within the investment menu and bears no fiduciary oversight responsibility for how a participant uses the investments within the SDB or the investment outcomes that result.

The Plan Fiduciary does retain certain settlor functions with respect to the SDB including whether a fee is charged to the participant for using the SDB. Plan fiduciaries may also restrict the proportion of a Plan participant's account holdings that can be deployed within the SDB at the time of transfer into the facility.

The Plans Fiduciary is also responsible for specifying what types of investments may be offered within the SDB and for excluding investment types, such as derivatives or other non-standard investments that might be deemed inappropriate for the purpose of long-term retirement investment goals.

## **V. Selection, Monitoring and Evaluation**

### Selection

The Investment Consultant will identify Funds for the Core Menu subject to the following selection criteria:

- Each Fund will be managed by a bank, insurance company, or investment management company or investment adviser registered under the Investment Advisors Act of 1940 and in good standing with regulators. A Fund 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.
- All Funds selected must have a readily ascertainable market value and must be readily marketable. The Plan must be able to purchase each Fund without an upfront sales charge. Although no Fund may be subject to a contingent deferred sales charge, it may be subject to a short-term redemption fee or other reasonable trading restriction. Stable Value options generally do not permit exchange capability to a "competing" Fund, may impose certain transfer restrictions involving other Core Menu options, and can require up to one year or more advance notice of the intention to liquidate the Stable Value portfolio for reasons other than benefit-sensitive distributions. If a Stable Value Fund is to be a Designated Investment Alternative, the Plan Fiduciary has specifically approved that such restrictions are acceptable.
- A Fund should have at least a three-year track record, unless it is deemed prudent to consider one with a shorter track record. In making this and similar performance-based determinations, the Investment Consultant may include the prior performance of a Fund manager of another fund, if it is "portable," as defined by the SEC in its No-Action Letter of 9/13/96. It may also apply this practice if the prior experience was with the portfolio involving a different share class of the same Fund or the Fund manager's relevant strategy performance composite.
- A Fund's investment performance, its risk-adjusted returns, and its risk level will be measured against a peer group with similar management styles over the most recent 3-year, 5-year and 10-year trailing periods. If a Designated Investment Alternative does not have five or ten years of track record, then performance will be evaluated over available time periods.
- A Fund should have an internal expense ratio at or below the median for its general peer group unless it is deemed appropriate to be higher given the investment style or practices inherent in the manager's strategy.



- When selecting a Fund, the Investment Consultant may rely upon industry-standard databases, in addition to its own research and judgment, to identify the Fund's sub-asset class exposure(s) and management style. For the purposes of allocation, categorization and performance reporting, the Investment Consultant may, but is not required to, assume that the asset category of all securities purchased by a Fund is that of the particular fund's industry-standard classification even though some of the securities purchased by the Fund may actually be of a different asset class. In addition, the Investment Consultant may categorize the Fund as an allocation among multiple sub-asset classes based solely on the Investment Consultant's research and opinions.

The Investment Consultant, consistent with applicable professional and fiduciary standards, may determine additional criteria for the selection of a Fund, and apply those criteria as if contained within this Statement providing it communicates those criteria to the Plan Fiduciary in advance of their application. Criteria determined by the Investment Consultant will be communicated and outlined in the regularly delivered Performance Report.

The Investment Consultant may exercise some judgment in the selection of a Fund, even if the investment does not comply with all of the criteria identified in this Part V. In such instances, the Investment Consultant must present to the Plan Fiduciary its reasons for having selected the Fund.

#### Monitoring and Evaluation

The Investment Consultant shall regularly review the performance of each Fund to determine if it should continue to be retained within the Plan and communicate its findings in its regularly delivered Performance Report to the Plan Fiduciary.

For each Fund, 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 regularly delivered Performance Reports to the Plan Fiduciary, the Investment Consultant will provide the Plan Fiduciary 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 long-term 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 Fund's category when compiling the universe. The Investment Consultant, however, may override the database's characterization of one or more Funds, based upon reasonable cause, thereby creating its own set of universes.

From time to time, asset class designations, Fund selections, data sources, benchmarks, and peer groups may change. Such changes, as they occur, will be reflected in Performance Report periodically delivered to the Plan Fiduciary or Plan Committee.

Events or criteria that may indicate a Fund is to be removed and/or replaced as a Designated Investment Alternative include, but are not limited to, the following:

- There has been a material change in the Fund's management, or the Fund is subject to sanctions for noncompliance with laws or regulations affecting its investment performance.
- Performance of the Fund 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 Funds, and apply those criteria as if contained within this Statement providing it communicates those criteria to the Plan Fiduciary in advance of their application. Criteria determined by the Investment Consultant will be communicated and outlined in a Performance Report periodically delivered to the Plan Fiduciary or Plan Committee.

With each Performance Report periodically delivered to the Plan Fiduciary or its Committee., the Investment Consultant shall certify one of the following statements for each Fund:

- The Fund remains suitable as the funding vehicle for an asset class;
- The Fund should be considered for replacement;
- The Fund is on Watch status, meaning the Investment Consultant will postpone its decision to replace the Fund or maintain it as a Core Menu option;

A Fund may remain as a Core Menu option even if it fails to meet all of the criteria identified herein if the Investment Consultant believes there are sufficient reasons for the Plan to hold the Fund. In such an event, the Investment Consultant shall communicate such reasons within its regularly delivered Performance Report to the Plan Fiduciary or Plan Committee. Consistent with the provisions of this Statement, and in the event the Investment Consultant determines that a Fund should be recommended for replacement, the Investment Consultant is authorized to select a set of potential replacements for a Fund, and to share these with the Plan Committee, assisting with the selection decision for the replacement as needed. The Investment Consultant shall assist the Plan Fiduciary, or Plan Committee, with the fund replacement by facilitating communications to Participants about the change generated by the Plan Recordkeeper or other service provider, ensuring that such communications are consistent with the ERISA § 404(a) regulations. The timing of these communications to participants will be in alignment with the requirements set forth by ERISA unless it is deemed prudent and necessary to communicate using a different schedule.

**VI. Acknowledgement**

The Plan Fiduciary reviewed this Investment Policy Statement and hereby adopts it this

8 day of March, 2021.

Chris Yager  
On behalf of the Plan Fiduciary

Chris Yager  
Committee Chair

Receipt of this IPS by the undersigned is acknowledged.

\_\_\_\_\_  
Brent Petty  
President: NWCM, Inc.  
Investment Consultant

