

**Fairfax County Public Schools  
457(b) Plan**

**Investment Policy Statement**

**ADOPTION DATE TBD**

## **CONTENTS**

- I.** Overview & Purpose
- II.** Roles and Responsibilities
- III.** Investment Objectives
- IV.** Investment Guidelines, Selection and Retention Criteria
- V.** Review and Amendment of the Policy

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## **I. OVERVIEW AND PURPOSE**

Fairfax County Public Schools (“FCPS”) sponsors a 457(b) Plan to provide eligible employees, as defined in the Plan, with the opportunity to save for retirement on a tax-deferred basis. The Plan is a long-term retirement savings vehicle and is intended as a source of retirement income for eligible participants. The investment options available from the Plan cover a broad range of investment risk and rewards appropriate for these kinds of retirement savings programs. Participants bear the risk and reap the rewards of investment returns that result from the investment options they select. The Plan falls under section 457(b) of the Internal Revenue Code.

The 457(b) Plan was designed to be both a complement and an alternative savings vehicle to the 403(b) program. The 457(b) Plan was established with six investment options reflecting the intent to provide less complexity in the number of choices. Fund options may be added or subtracted from time to time in order to meet overall objectives. The objective is to sponsor a plan that is relatively simple to understand, cost effective for the participants, offers core investment options and has minimal administrative involvement.

The Plan will provide a broad range of investment choices to reflect the different risk tolerances common among participants in retirement savings plans. The Plan is intended to provide the participants of the Plan the opportunity to save for retirement on a tax deferred basis and participants will be given the flexibility to alter their investment choices and the direction of existing and future contributions. Participants alone bear the risk of investment results from the options and asset mixes that they select. The philosophy of the Plan shall be a primary consideration in the Fairfax County Public Schools’ Deferred Compensation Investment Committee’s (the “Committee”) decision making process. The Committee does not provide investment advice to participants or assist participants in selecting the funds in which to invest. Fiduciaries are not responsible for losses of participants resulting from the participant’s investment selection, or from any action taken in accordance with the participant’s investment direction.

It is the intention of the Committee, that the assets of the Plan shall be maintained in compliance with all applicable laws governing the operation of the Plan. Practices in this regard include, but are not limited to the following:

- The investment options offered to participants will be selected with care, skill, and diligence that would be applied by a prudent professional investor acting in a like capacity and knowledgeable in the investment of retirement funds.
- All investment committee-directed transactions undertaken on behalf of the Plan shall be for the exclusive purposes of providing benefits to the Plan participants and beneficiaries and defraying reasonable expenses of administering the Plan.
- The Committee relies on staff, investment managers and record keepers to provide participants with the opportunity to obtain sufficient information to make informed decisions with regard to investment alternatives available under the Plan.

This Investment Policy Statement (“Policy”) defines the Plan’s investment objectives and establishes policies and procedures so that these policies and procedures can be implemented and followed in a prudent manner. This Policy is intended to:

- Provide a mechanism to establish and review the Plan’s investment objectives;
- Identify those individuals/functions with responsibility for selecting and reviewing the Plan’s investments;
- Designate the investment options available to participants, beneficiaries and alternate payees with a clear understanding of the role each investment option performs;
- Identify the criteria that may be considered when selecting the investment funds options and evaluating the continued appropriateness of each investment option; and
- Provide a single document outlining the investment and monitoring responsibilities of the Committee.

This IPS serves as a set of guidelines for the Fairfax County Public Schools’ Deferred Compensation Investment Committee (“**Committee**”) to consider in fulfilling its administering of the Plan for the exclusive purpose of providing benefits to Plan Participants and beneficiaries and defraying reasonable expenses of administering the Plan. To the extent that anything in the IPS conflicts with the Plan Document, the Plan Document controls.

## **II. ROLES AND RESPONSIBILITIES**

The **Committee** is responsible for the oversight and management of the Plan, according to the purview reflected in its bylaws, letters of appointment or similar materials. The **Committee** may, at its discretion, retain the services of consultants, investment managers, advisors, and other service providers to assist the **Committee** in discharging its Plan obligations.

The **Committee** agrees that in carrying out its responsibilities it will:

- Work with the **Investment Advisor** to establish a framework for the management of Plan assets
- Make investment offering decisions;
- Oversee the Plan's assets;
- Review periodically, and revise as appropriate, the provisions of this IPS;
- Determine the investment menu structure, including the number and types of options to offer to plan participants; and the investment option(s) that will serve as the Plan's Qualified Default Investment Alternative ("QDIA");
- Select and monitor the investment managers to implement the investment menu structure as determined by the **Committee**; and
- Periodically review the performance, fees of the Plan's investments

The **Staff** will select professional service providers and establish effective communication and review procedures among the external service providers. Monitoring the costs of administering the plan, including the record keeper will be the responsibility of the staff

The **Investment Advisor** is responsible for the following:

- Serving as a fiduciary when advising the **Committee** approved by the IPS;
- Advising the **Committee** regarding the IPS development;
- Assisting the **Committee** with the maintenance of the IPS;
- Monitoring ongoing investment option performance and providing periodic investment performance reports,
- Periodically meeting with the **Committee**.

The **Participants** are responsible for determining their contribution rate in accordance with the terms of the Plan and allocating their assets among the investment fund options offered in the Plan.

The **Investment Manager(s)** have the responsibility for managing the underlying assets by making reasonable investment decisions consistent with the stated investment strategy and objectives.

The **Recordkeeper** and **Custodian** may (often are) or may not be the same organization. The responsibilities for the custodian/recordkeeper include:

- Providing statements to participants

- Maintaining plan assets as well as transfer and/or allocate plan assets as directed by participants
- Reporting market values, cash flows, investment performance
- Making payments to beneficiaries, as prescribed

### **III. INVESTMENT OBJECTIVES**

The types of investment options may include varied risk levels, different asset classes and specialized styles of management to achieve different objectives. The investment options may be thought of in a tiered structure, based on the implementation objective of a participant to ensure clarity. The tiered structure could be defined as follows:

- ***Tier I – Professionally Managed Solutions (e.g., Target Date Investment Options or Managed Accounts)***: Designed for participants and beneficiaries who prefer to outsource asset allocation and investment selection decisions by offering an array of simple, well-diversified, professionally managed asset allocation portfolios that meet investment objectives across the span of a full life cycle.
- ***Tier II – Looking for Low Cost Access (Passive Investment Options)***: Designed for participants who prefer to choose from a broad array of passively-managed investment options that cover major asset classes.
- ***Tier III – Looking to Outperform (Active Investment Options)***: Designed for participants who are looking to outperform over full business cycles, thereby prefer to choose from a well-diversified array of actively-managed investment options that cover major asset classes.

Within the tiered structure outlined above, the Plan may be composed of investment options from the following objective-based categories:

<b>Asset Allocation</b>	Offerings that are professionally designed and managed multi-asset class investment solutions
<b>Capital Preservation</b>	Offerings that seek stability of principal while offering a yield consistent with short term, high quality fixed income
<b>Income</b>	Offerings that produce returns through dividends and interest payments, predominantly fixed income
<b>Growth</b>	Offerings that seek long-term capital growth through investments in predominantly equities and equity-like securities
<b>Retirement Income</b>	Offerings designed to help facilitate income distributions during a participant’s spending phase

The following types of investment options may be offered:

### **Target Date Investment Options**

The target date strategies consist of a series of diversified investment funds, each of which is designed to correspond to a particular range of years during which a participant expects to retire. The target date funds utilize a broad range of asset classes and a regular rebalancing process designed to provide an appropriate mix of returns and risks consistent with the stated expected retirement date. Age appropriate target date funds will serve as the Plan's QDIA.

### **Asset Class Investment Options**

The asset class strategies can provide an array of diversified investment options selected to correspond with a particular asset class. The risk profile of each asset class investment option may change based on changing market conditions. The selected **Investment Manager** generally utilizes an approach whereby it gains exposure to its targeted asset class by investing directly in securities and other investments. Asset class funds may be implemented through passive or active management.

Specific investment options will be chosen within the asset classes selected. The **Committee** acknowledges that **Investment Managers** may invest a portion of the investment option in specific assets falling outside of the scope of the defined asset classes. However, the overall objective of such investment option must be in line with one of the asset classes listed above in order to be considered by the **Committee** for inclusion or maintained as a Plan investment. These investment options can be single investment managers or multi-manager construction.

#### **IV. INVESTMENT GUIDELINES, SELECTION AND RETENTION CRITERIA**

This section outlines broad investment guidelines for use in selecting **Investment Manager(s)** and monitoring the investments used by the Plan.

The **Committee** will make all decisions regarding retention, replacement, or elimination of an **Investment Manager** or investment strategies for Plan assets. The **Investment Advisor** will make recommendations to the **Committee** regarding retention, replacement or elimination of an **Investment Manager** or investment strategies for Plan assets.

The **Committee** will incorporate short- and long-term investment objectives, as well as the guidelines of this IPS, when making investment decisions.

The **Committee** intends to select the investment options with care, skill, and diligence that would be applied by a prudent expert acting in a like capacity and knowledgeable in the investment of retirement funds. The **Committee** may close, add, or change investment options at any time at its discretion.

The **Committee** considers many factors when selecting and monitoring the investment options, including but not limited to:

- **Business** – Ownership structure, profitability, stability of organization, client, asset base
- **Investment Staff** – Quality of personnel, depth of resources, turnover, succession planning
- **Investment Process** – Skilled investment decisions, clear and repeatable processes, understanding of competitive advantages
- **Risk Management** – Embedded in broader investment process, independently verified
- **Performance** – Risk-adjusted investment results, compared to appropriate benchmarks and peer groups, measured over multiple shorter- and longer-term periods, including trailing, rolling, and annual results
- **Operational Due Diligence** – Operational controls, valuation of assets, independent directors
- **Fees** – Investment expenses should be reasonable for the value provided and benchmarked for reasonability based on the specific type of investment strategy being evaluated



- **Regulatory oversight:** Each investment manager should be a regulated bank, an insurance company, a mutual fund organization, or a registered investment advisor.
- **Minimum track record:** The product's inception date should be at least three years; a shorter track record may be used when the investment professionals of a new organization have a well-established and recognized track record at a previous organization.
- **Assets under management:** The product should have a sufficient and appropriate asset base.
- **Holdings consistent with style:** History of reasonable adherence to investment objectives.

The **Committee** recognizes that as market, regulatory, and business conditions change, a strategy may require adjustments.

Short-term changes in financial markets, however, should not require adjustments to this policy, and it is expected that this policy will not be changed frequently. The **Committee** acknowledges that fluctuating rates of return characterize the securities markets, particularly during short-term periods. Accordingly, the **Committee** strives to view the interim fluctuations with an appropriate perspective.

### **Benchmarking**

In its review of strategy and **Investment Manager** performance, including fees and expenses, the **Committee** intends to include performance objectives based upon the appropriate market index and the relevant peer group for each investment option. In the case of multi-asset class investment options, performance objectives will be based upon a custom benchmark composed of market indices.

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## **V. REVIEW AND AMENDMENT OF THE POLICY**

The Committee shall review this Policy periodically to determine if it continues to reflect the Plan's objectives and meet the needs of the Plan's participants. Changes to this Policy are expected to be infrequent, as they will reflect long-term considerations, rather than short-term changes in the financial markets. However, the Committee retains authority to make interim changes to the Policy guidelines. The criteria used to evaluate this Policy may include, but not limited to, consideration of: (1) demographics of the workforce, (2) growth of the Plan, and (3) performance of existing investment options. The Committee will communicate any modification on a timely basis to the Plan's other fiduciaries and any other interested parties.

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