

WASHOE COUNTY
457(b) & 401a Plans
Adopted 5/8/24

Investment Policy Statement

I. PURPOSE OF INVESTMENT POLICY STATEMENT

The Administrative Committee (Committee) of the Washoe County 457 & 401a Plans (Plans) has adopted this Investment Policy Statement (Policy), and directs that it applies to all Plan assets, the Plan administrator, investment managers, investment consultants and to all other fiduciaries acting on behalf of, or under the direction of the Committee.

This Policy is intended to provide guidelines, limitations, and required actions on the part of the Committee and service providers for selecting, managing, and monitoring the investment options (Options) made available to participants and/or beneficiaries (Participants).

This Policy is intended to provide an anchor of stability in times of rapidly changing economic, business and capital market conditions. However, the investment policies described in this statement are subject to change. Moreover, the existence of this Policy is not intended to restrict or limit the discretion, control or authority of the Committee or any fiduciary to which such discretion, control, or authority has been delegated, to make decisions in the best interest of Plan Participants as circumstances may require.

Periodically, but no less often than once a year, the Committee will meet to discuss the following:

- A. Adherence to this Policy.
- B. The effectiveness of Plan administration, Participant communications and other Participant services to Participant investment success including the evaluation of Participant concerns.
- C. Employee information including demographics, participation, contribution rates, and use of Options by Participants.
- D. The fit and appropriateness of this Policy with the plan objectives; and any changes that are needed to the Plan Options, Plan administration, or Participant services.
- E. The reasonableness of the fees incurred by the Plan and confirm that the Plan and its Participants are receiving a fair value in exchange for the fees rendered.

In addition, the Committee may discuss all items within this section for each Option, the Service Provider/Record Keeper, and Consultants. Any party may call more frequent meetings if significant concerns arise about any Option, strategy, personnel, organizational structure, or any other factors relating to the welfare of the Plan.

The minutes of the Committee's deliberations shall be recorded to provide a written record of the Committee's due diligence process. Minutes shall be voted on and approved at the subsequent meeting.

II. OBJECTIVES OF THE PLAN

The Committee is charged with following the Policy in all actions it takes involving the Plan and acts as the named fiduciary. The Plan permits all Participants to direct the investments for their individual Plan accounts among the Plan's Options.

The Participants bear the ultimate risk and responsibility for their individual Plan investment elections and investment performance over time. Although the Plan is not covered under ERISA, to conform with best-practice safe harbor provisions as specified in ERISA Section 404(c), the Plan shall:

- A. Provide Participants at least three Options with different risk/return profiles
- B. Provide Participants with access to sufficient information so that the Participant can make an informed decision about the selection of Options; and
- C. Permit Participants to change Options daily.

Investment success largely depends on following well established principles of portfolio investing, including the use of well diversified portfolios intended to maximize long term returns for the level of risk chosen by each individual Participant. The Plan will offer Participants a diverse set of options, selected pursuant to the criteria in SECTION IV of this Policy.

The objective is that each Participant will select a combination of Options that generally optimizes the Participant's overall investment portfolio consistent with their individual circumstances, goals, time horizons, risk capacity and risk tolerance.

Proxy voting for mutual fund shares shall be passed through to Participants in accordance with the Service Provider/Record Keeper agreement or another applicable document. Proxy voting for securities held in a portfolio managed by an investment manager shall be handled by the investment manager consistent with its fiduciary responsibilities and the investment guidelines governing the account.

III. RESPONSIBILITIES

Participants: Each Plan Participant is best positioned to make decisions regarding the allocation of assets among the various Options offered by the Plan to best achieve his/her investment and retirement goals. Thus, the amount to be invested in each option, if any, shall be determined by each Plan Participant.

Each Participant has a responsibility to pursue the education necessary to make sound investment decisions. This education may include, but is not limited to, materials provided by the Plan, Service Provider/Record Keeper, investment managers and/or the consultant. The Participants bear the risk of the investment results from the Options chosen.

Plan Sponsor: The Committee of the Washoe County 457 & 401a Plans is responsible for establishing all policies governing the Plan and the selection of all professional service providers to the Plan, including, but not limited to, the following:

- A. Service Provider/Record Keeper
- B. Investment Managers / Options
- C. Investment Consultant
- D. Legal Counsel

Service Provider/Record Keeper: The Service Provider/Record Keeper selected by the Plan is responsible for maintaining accurate and up-to-date account records for all individual Participants in the Plan. These records shall include daily valuations of each Participant's aggregate investments and each Option.

The Service Provider/Record Keeper shall also be responsible for providing each Plan Participant with access to sufficient information to select and manage their investments. The information and services provided shall include enrollment, education, exchanges, transfers, distributions, periodic statements and any other responsibilities that may be further defined in the agreement between the Service Provider/Record Keeper and the Plan.

Investment Managers: The investment managers of the Options selected by the Plan shall be responsible for the selection, purchase and sale of the individual securities held in their respective portfolios. Each investment manager has a responsibility to discharge their portfolio management duties within the guidelines outlined in their fund prospectus or another governing document.

Investment Consultant: The investment consultant shall assist the Plan in developing appropriate investment policies and guidelines for the Plan, recommending Options to be offered to Plan Participants and the ongoing monitoring and review of those Options. Plan costs will be monitored as well. The investment consultant shall provide periodic reports outlining the investment performance results of each Option and any further information or services that may be outlined in the agreement between the consultant and the Plan.

IV. INVESTMENT OPTION SELECTION & EVALUATION

The following characteristics shall be considered in selecting and monitoring Options, whether offered as a stand-alone Option, and/or as a fund included in a portfolio Option:

Returns relative to appropriate benchmarks and/or peer groups

Investment Returns versus Peer Group

Historic Performance versus Benchmark

Summary of Evaluation Process

Investment fund performance should be evaluated over 5 and 10-year periods relative to their asset category appropriate benchmarks and peer groups. Generally, a fund's annualized performance will be considered as having exceeded policy guidelines if its returns consistently fall in the upper half of its peer group and it has outperformed its benchmark over 5 and 10-year periods. Funds that consistently fail to exceed policy guidelines will be subject to further review.

Risk-adjusted returns and volatility

Sharpe Ratio & Standard Deviation Relative to Peer Group

Sharpe Ratio & Standard Deviation Relative to Benchmark

Summary of Evaluation Process

Investment fund performance and volatility should be evaluated over 5 and 10-year periods relative to their asset category appropriate benchmarks and peer groups. Risk-adjusted performance will be considered as having exceeded policy guidelines if the fund's Sharpe ratio falls in the upper half of its peer group and is higher than its benchmark over 5 and 10-year periods. The fund's volatility will generally be considered favorable if it falls in the lower half of its peer group and is less than its benchmark over 5 and 10 years. Funds that consistently fail to exceed policy guidelines for risk-adjusted returns and volatility will be subject to further review.

Consistency of investment strategies and investment styles/composition

Adherence to investment strategy and objective

Historical Style Stability

Summary of Evaluation Process

These criteria compare portfolio characteristics and return characteristics for consistency with the fund's stated objective, its peer group and its benchmark.

A fund's style and composition are evaluated based upon how closely these characteristics adhere to its stated investment objective and how stable the characteristics have been historically. Criteria used to evaluate a fund's style traits may include returns-based style analysis, statistics such as r-squared, and portfolio characteristics such as price/earnings ratio and market capitalization. Funds with characteristics that are inconsistent with their stated objective or historically unstable will be subject to further review.

Fund management organization stability, experience, and tenure of key personnel

Organization stability

Expenses, fees

Summary of Evaluation Process

These criteria compare qualitative fund manager characteristics to objective standards. Criteria may include the following.

Significant changes in firm ownership and/or structure,
Loss of one or more key personnel,
Significant loss of clients and/or changes in assets under management,
Significant changes in portfolio turnover or fees

Investment options that are placed on Guarded or Watch status will be communicated to the Committee. The consultant will advise if the downgraded status warrants immediate action by the Committee. In most cases a Guarded or Watch status reflects near-term underperformance due to the investment strategy or style characteristics being temporarily out of favor. However, if the downgrade were caused by significant changes in investment personnel or strategy, then immediate action may be required. Nothing in this section shall limit or diminish the Committee's right to terminate the Investment Manager at any time for any reason.

V. INVESTMENT OPTION REMOVAL

Within the context of quarterly reviews, the Option evaluation matrix, and Options under heightened scrutiny, the ongoing suitability of an Option in the Plan shall be questioned and will lead to removal when:

- A. Performance is unjustifiable
- B. Risk characteristic are unacceptable
- C. Qualitative issues of insurmountable concern exist; or
- D. Lack of confidence that an Option will be able to achieve performance and risk objectives going forward.

The Committee shall have full discretion to retain or replace any Option. The ultimate decision to remove/replace an Option shall be made when the Committee believes such removal/replacement is in the best interests of the Plan and its Participants. Any decision to remove an Option shall be treated on an individual basis.

VI. INVESTMENT OPTION MAPPING POLICY

It shall be the general policy of the Plan to apply the following procedures when mapping Participant assets in situations of Option removal and absent participant election following notification of the removal of an Option in which they have a balance or future contribution allocation.

- A. The Plan will map Participant assets and future contribution allocations in the discontinued Option to an existing or new Option that is reasonably similar in terms of risk and return to the discontinued Option. Unless presented with clear evidence to the contrary, the Plan considers Options within the same asset class as being reasonably similar in terms of risk and return; or

The decision to map Participants to an Option that is reasonably similar in terms of risk and return to the discontinued Option shall be made on a case-by-case basis as deemed in the best interest of the Plan Participants and beneficiaries under the prevailing circumstances.

In all situations, the Plan shall provide Participants notification of the qualified change at least 30 days but not more than 60 days prior to the effective date of the change. The notice shall inform Participants that the notified change will occur unless instructions are received to the contrary.