

Investment Policy Statement

Larimer County Retirement Board

Larimer County, Colorado, sponsors the Larimer County Contributory Retirement Plan for eligible employees. The Investment Policy Statement defines the investment objectives and guidelines that will apply within the investment program to ensure that the Plan is managed in a manner consistent with the Plan document and applicable fiduciary standards.

Purpose of Statement

By establishing this plan, the County seeks to assist employees in obtaining financial security in retirement. The Plan is designed to complement other sources of retirement income including Social Security. The County believes that achieving this objective is a shared responsibility of both the County and its employees. The Plan is intended to facilitate the accumulation of assets by participants on a tax deferred basis for retirement by deferring a portion of their compensation in accordance with governing rules and regulations.

It is understood that the Larimer County Retirement Board is vested with the management of this plan, and reserves the right at any time deemed prudent or necessary, to amend the plan. If amendment to this statement is required due to changes in the Plan document or a change in applicable law, the Board shall have time to review such changes and prepare and implement them. Owing to the dynamic nature of the economic environment, developments in financial theories, and advances in technology, the Board shall examine this statement from time to time on a formal or informal basis and may make changes as a result of that examination.

Investment Objectives

The primary objectives of the Plan's investment program are as follows:

- Program Quality - Provide quality investment options to both current and former employees.
- Participant Control- Allow Plan participants to exercise control over their retirement accounts by providing to them the ability to direct the investment account assets. The Plan intends to use the "safe harbor" requirements of ERISA 404(c) and applicable regulations as guidelines, even though the Plan is not subject to those regulations.
- Diversification - Offer participants access to an appropriate range of prudent investment options that enables them to construct a well-diversified portfolio. This availability will allow participants to materially affect the potential returns on their investment accounts and control the degree of risk to which the accounts are subject. Creating a portfolio with aggregate risk and return characteristics appropriate to each participant can help minimize the Plan participant's overall risk, especially the risk of large losses.

Investment Guidelines

The Board has established the following guidelines for administering the Plan's investment program:

A. Diversification

Diversification can be one of the best tools for reducing portfolio risk. The Board will make available to the Plan participants a menu of broadly diversified investment options, each offering materially different risk and return characteristics.

B. Investment Categories

All classes or categories of investments allowed by fiduciary standards as acceptable investment choices may be considered by the Board in determining the investment options to be made available to Plan participants. The Board, as it deems appropriate, may select and make available to Plan participants investment options in the form of commingled funds, such as separately managed accounts, mutual funds, and bank collective trusts, from any or all investment categories listed below, in addition to guaranteed or stable value investments.

The following asset classes are permitted for Plan investment options:

1. Stable Value - portfolio comprised primarily of short-term high quality debt securities including money market investment options, short term bonds, stable value options, and guaranteed interest arrangements which are wrapped with insurance contracts to guarantee liquidation at book value.

Strategic Purpose: Stable returns, income, diversification

2. Fixed Income- portfolios comprised primarily of debt securities issued by the U.S. Government, U.S. Government sponsored/related agencies, and U.S. domiciled corporations or if international bonds, debt securities issued by foreign governments, foreign government sponsored/related agencies, and foreign corporations. Investment options may include all quality ranges (high, medium, and low), all durations (short, intermediate, and long), be broadly diversified or concentrated (sector funds), and be either actively or passively managed (indexed).

Strategic Purpose: Income, diversification, deflation hedge (international only)

3. Real Estate - portfolio consists primarily of owned real estate investment options including real estate investment trusts of all types and other comingled real estate equity investment options.

Strategic Purpose: Income, diversification, inflation hedge

4. U.S. Stock - portfolios consist primarily of the common stocks of U.S. domiciled corporations. Investment options may include different sizes (large-cap, mid-cap and small cap) and styles (value, growth and blend). Such options may be broadly diversified or concentrated (sector funds), and may be either actively or passively managed (indexed).

Strategic Purpose: Long-term growth

5. Non-U.S. Stock - portfolios comprised primarily of the common stocks of corporations domiciled outside of the U.S. Investment options may include different regional and

emerging markets funds, a variety of sizes (large-cap, mid-cap, and small-cap) and styles (value, growth and blend), be broadly diversified or concentrated (sector funds), and be either actively or passively managed (indexed).

Strategic Purpose: Long term growth, diversification

6. **Balanced/Asset Allocation** - portfolio comprised primarily of significant proportions of both equities and fixed income investments. Also included are lifestyle or lifecycle investment options which are fully diversified single investment options matched to participant's retirement goals, risk tolerance, and/or investment time horizon. A lifecycle fund, also known as a target retirement date fund, is designed to provide a simple investment solution through a portfolio whose asset allocation mix becomes more conservative as the target date (usually retirement) approaches.

Strategic Purpose: Long-term growth, risk reduction (via rebalancing)

Selection Process for Investment Options

The Board shall evaluate appropriate investment options based on both qualitative and quantitative factors. The Board shall review the following key aspects in the evaluation process. The Board may contract for these services.

1. **Organization** - The Board shall evaluate the key elements of an efficient and successful investment management organization such as stable firm ownership, clear business objectives, industry reputation, and experienced and talented investment staff of acceptable tenure, education and experience.
2. **Investment Philosophy and Process** - The Board shall seek a valid and well-defined investment approach, considering such factors as sources of information, disciplined buy/sell decisions, systematic portfolio construction and adequate risk controls.
3. **Performance** - The Board shall evaluate investment options' historical returns and risks relative to passive indices and peer groups over longer time periods (e.g. three and five years).
4. **Investment Management Fees** - The Board shall evaluate the proposed fee structure relative to the industry and other competing candidates to ensure fees are appropriate.

These factors are intended to support decisions on investment option selections that are consistent with the requirements of ERISA 404(c), made with a prudent degree of care, and that minimize excessive risk. Other factors that the Board believes appropriate may be included.

Reporting and Monitoring of Investment Options

Investment advisors are expected to keep the Board apprised of assets under their control on a regular basis. The Board shall evaluate the investment options at least annually. The Board is to be kept informed of outlook and strategies employed in fund management in order to assure that

decisions to retain investment options are made with a prudent degree of care and that excessive risk is minimized. Among events that the Board shall examine in the review of investment options are:

- Poor performance relative to passive indices and/or peer groups over longer time periods (e.g. three and five years).
- A change in the manager of an investment option, or departure of one or more key investment professionals.
- Involvement of the manager of an investment option or key investment professionals in material litigation or fraud.
- Material "style drift" of the investment option, i.e. change in investment strategy of the investment option inconsistent with the stated investment strategy at the time the option was chosen.
- A change in ownership, control, or resources of the investment management organization.

If the results of the monitoring process indicate substandard performance or potentially adverse change in the investment manager's organization or investment process, the Board may choose to assign the investment option to a watch list probation or terminate the option. The Board may ask for an in-depth review before taking either of these actions.

Elimination of Investment Options

The Board may eliminate or replace an investment option at any time it deems in the best interests of the Plan, the participants and their beneficiaries. The Board may also eliminate an option for the following reasons:

- Failing to attract sufficient Plan contributions to warrant continued availability.
- Changes of investment policy such that the option is no longer consistent with the objectives of the Plan.
- The needs of Plan participants change.
- Other reasons deemed appropriate at the time of evaluation.

Selection of an Investment Default

The Board shall direct retirement funds to an investment option default if a participant does not provide investment direction. The Board may choose to comply with the qualified default investment alternative (QDIA) regulations which provide fiduciary relief for the Board. The participant will be treated as having exercised control over the defaulted retirement funds, and the Board will not be held liable for investment outcomes that may result. The regulations do not relieve the Board of responsibility to prudently select and monitor the retirement plan's QDIA.

Self-Directed Brokerage

The Board may select and make available to Plan participants a Self-Directed Brokerage Account option. The purpose would be to offer participants access to a broader selection of investment

options for use in their retirement account, such as stocks, bonds, and a broader array of mutual funds.


Under this option, the Board shall permit an eligible participant to transfer a portion/all of their retirement account balance into a brokerage account and direct the purchase and sale of securities. The Board recognizes that a benchmark cannot be established for these accounts and believes that it is inappropriate to monitor individual participant investments through this platform.

Investment Advice and Education

The Board shall seek to provide investment education through the selected vendor that may include internet capabilities, printed material, group meetings, and one-on-one appointments. Care shall be taken to comply with existing Federal regulations concerning such education. The Board may choose to offer participants, at the participant's expense, access to investment advice from a totally independent third party contracted for such purpose.

The Board executes this policy agreement in Fort Collins, Colorado, this 22nd day of May, 2017.

Larimer County Retirement Board

By  _____

