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**OREGON  
STATE  
TREASURY**

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Service Model  
Program  
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Policy Area **Investments**  
References **OST Policy  
4.07.01**

## **INV 801: Deferred Compensation Investment Program: Statement of Objectives**

### **OREGON INVESTMENT COUNCIL POLICY**

#### **INTRODUCTION & OVERVIEW**

##### **Summary Policy Statement**

The Oregon Investment Council (OIC) will maintain a program for the investment of moneys in the Deferred Compensation Fund (the "Deferred Compensation Investment Program" or "Program") providing an array of investment options with varying levels of risk and return for eligible participating employees.

##### **Purpose and Goals**

The goal of this policy is to describe in greater detail the manner of implementing and reporting applicable investment options for eligible participating employees by defining the roles and responsibilities of the OIC, Oregon State Treasury Staff ("Staff") and the Program's other service providers.

##### **Applicability**

Classified represented, management service, unclassified executive service

##### **Authority**

ORS Chapters 243 and 293.

# POLICY PROVISIONS

## Definitions

None.

## Policy Statements

### GENERAL POLICY STATEMENTS

1. **Investment Option Approval.** The OIC approves Program investment options consistent with ORS 293.721, "to make the moneys as productive as possible" consistent with the "standard of prudence" requirement in ORS 293.726 and other applicable fiduciary standards.
2. **Program Description and Review.** The OIC will provide a description of Program investment options to the Public Employees Retirement Board ("PERB") via Oregon Savings Growth Plan (OSGP) Staff, including the applicable benchmark for each option and a description of the characteristics of each benchmark. Staff will undertake a comprehensive review of Program options and managers no less frequently than once every four years.
3. **Changing Program Options.** The OIC may change Program investment options, including applicable benchmarks and investment managers at any time. Any change in Program options or investment managers will be reported to OSGP in advance, whenever practicable.
4. **Program Participation.** The Program is open to qualified public employees on a voluntary basis, and is offered as a means by which eligible participating employees may augment their retirement savings. Eligible employees choose their own level of participation based, *inter alia*, on their assessment of future retirement needs. The level of assets a participating employee accumulates through Program investment is a direct function of that participant's level of earnings deferral and the investment performance of the Program options selected.
5. **Selection of Program Options.** In selecting Program investment options and Program investment managers, the OIC may consider factors including, but not limited to, the population of potential participants and their varying needs, available investment products and strategies, and the qualifications, experience, performance, and cost of actual and potential investment managers. The OIC intends to provide a range of investment options considering participant interests and appropriate for this type of retirement savings program. The Council expects participants to make their own assessment of Program investment options relative to their unique risk tolerance and return objectives, as well as their other sources of retirement funding. There is no guarantee of principal or earnings in the Program, and eligible employees participate at their own risk.
6. **Program Management.** The Program will be managed and monitored consistent with the OIC's policies and procedures regarding selecting, managing, and terminating Program managers as found in INV 802: Selecting, Managing, and Terminating Program Firms.
7. **Participant Disclosure Requirements.** Staff will work with OSGP and the Plan Administrator to provide necessary information for compliance with participant disclosure requirements as described in ORS 243.450.
8. **Program Information Requests.** Staff will work with the Plan Administrator to provide any other requested Program information.

9. **Program Population Characteristics.** Staff will periodically provide the OIC with Program population characteristics for use in their evaluation of Program options and investment managers. Staff will request such information from the Plan Administrator.
10. **Communication with OSGP and PERB.** Staff will periodically present the OIC with information for consideration from OSGP and the OSGP Advisory Committee, via PERB, regarding the expressed desires of participants related to Program investment options. The duties and powers of PERB and the OIC concerning the Program, while separate and distinct, are also complementary. This dynamic creates a need for coordination and cooperation between the two bodies. At the OIC's request, Staff will facilitate information flow between the OIC and PERB (via OSGP). Moreover, Staff will also report in advance, whenever practicable, any change in Program investment options or investment managers to PERB (via OSGP) in a timely manner.
11. **Program Review.** Staff will periodically bring current and potential investment options to the OIC for review and consideration, including those requested by the OIC.

## **INVESTMENT PROGRAM**

The Program is open to qualified public employees on a voluntary basis, and is offered as a means by which eligible participating employees may augment their retirement savings. Eligible employees choose their own level of participation based, inter alia, on their assessment of future retirement needs. The level of assets a participating employee accumulates through Program investment is a direct function of that participant's level of earnings deferral and the investment performance of the Program selected. As such, the appropriate investment strategy for any individual participant to accumulate retirement savings or achieve other savings objectives is a function of multiple personal factors, including but not limited to age, income, time horizon, risk tolerance, return expectations, accumulation objectives, anticipated pension and social security benefits, and other assets held outside of the Program.

The Program intends to offer a broad range of investment options with materially different risk and return characteristics. By selecting among the investment options, participants have the opportunity to diversify their balances and construct portfolios consistent with their unique individual circumstances, goals, time horizons, and risk tolerance.

The Program currently offers the following investments options:

- a. **Stable Value Option**
  - i. **Benchmark:** 3-Year Constant Maturity U.S. Treasury and 3 Month U.S. Treasury Bill
- b. **Active Fixed Income Option**
  - i. **Benchmark:** Bloomberg Barclays U.S. Aggregate Bond Index
- c. **Large Company Value Stock Option**
  - i. **Benchmark:** Russell 1000 Value Index
- d. **Stock Index Option**
  - i. **Benchmark:** Russell 3000 Index
- e. **Socially Responsible Investment Option**

- i. **Benchmark:** Russell 3000 Index
- f. **Large Company Growth Stock Option**
  - i. **Benchmark:** Russell 1000 Growth Index
- g. **Active International Stock Option**
  - i. **Benchmark:** MSCI All Country World Excluding U.S. (ACWI ex-U.S.) Index
- h. **Passive International Stock Option**
  - i. **Benchmark:** MSCI All Country World Excluding U.S. (ACWI ex-U.S.) Index
- i. **Small Company Stock Option**
  - i. **Benchmark:** Russell 2000 Index
- j. **Target Date Retirement Funds**
  - i. **Benchmark:** Each target date fund has a separate, custom benchmark based on its asset allocation.
  - ii. **Rebalancing:** The fund manager is responsible for rebalancing each target date fund's asset allocation.
- k. **Self-Directed Brokerage Option**
  - l. **Real Return Option**
    - i. **Benchmark:** SSgA Real Assets Custom Blended Index and Consumer Price Index (CPI-U) + 4%

## Exceptions

None.

## Failure to Comply

Failure to comply with this policy may be cause for disciplinary action up to and including dismissal.

## PROCEDURES and FORMS

None.

## ADMINISTRATION

### Feedback

Your comments are extremely important to improving the effectiveness of this policy. If you would like to comment on the provisions of this policy, you may do so by e-mailing the Policy Analyst. To ensure your comments are received without delay, *please list the policy number and name in your e-mail's subject*. Your comments will be reviewed during the policy revisions process and may result in changes to the policy.