OregonSaves

Investment Policy Statement

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Oregon State Treasury

www.ost.state.or.us

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Overview

Introduction

HB 2960, passed by the Legislature in 2015 and codified at ORS 178.200-178.245, established the Oregon Retirement Savings Board (the “Board”) and directed the Board to develop a simple, voluntary, payroll-deduction retirement savings program for Oregonians lacking access to a qualified retirement plan through their employer. The Oregon Retirement Savings Plan (“OregonSaves” or the “Program”) is intended to increase the retirement savings of Oregonians by improving access and by providing a portfolio of well-managed investment options for savers. The Program will maintain separate individual retirement accounts (“IRAs”) for each participant.

Purpose of the Investment Policy

This Investment Policy Statement ("Policy") defines the investment objectives of OregonSaves and establishes policies and procedures to support these investment objectives, including:

- The number and type of investment options offered;
- The selection of investment managers or funds for the Program’s investment options;
- Monitoring and reviewing of the performance and investment characteristics of the investment options offered; and
- Decisions regarding addition to, replacement of, or elimination of the investment options offered.

In its role as a fiduciary to the Program, the Board intends to exercise its fiduciary duties with the level of judgment and care then prevailing that persons of prudence, discretion and intelligence would exercise in the management of their own affairs with due regard to the probable income and level of risk from certain types of investments of money, in accordance with the policies established by the Board.

This policy is not intended to be an inflexible governance document, but rather a guide to assist the Board. As such, the Board may deviate from this Policy as it deems appropriate, including on a case-by-case basis. However, no investment manager is permitted to deviate from these policies without express prior written Board approval. This Policy can be amended at the directon of the Board from time to time.

Program Objectives

The overall objective of the Program is to increase the retirement savings of Oregonians by improving access to quality, cost-effective, professionally managed investment options for savers.

Investment Objectives

The primary investment objectives of the Program are to:

- Offer investment options for employees to invest their IRA account balances, and
- Provide standard investment option(s) for participants who take advantage of the automated features of the Program.

Secondary objectives of the Program are to:

- Offer a mix of Program investment options to allow participants to diversify the investment of their IRA account balances;
- Offer investment options that are adequately diversified;
- Offer investment options with a range of target risk profiles;
- If active investment options are used, seek to offer active investment options to achieve risk-adjusted net returns that exceed the median results for a specified peer group over a full market cycle;
- If passive investment options are used, seek to offer passive investment options to achieve minimal 'investment drag' associated with the various costs of portfolio construction and management such that net returns closely track the underlying benchmark index;
- Manage the expenses associated with each investment option, such that expenses are reasonable;
- Options may be used together to increase or decrease risk and the opportunity for return.

Investment Options – Structure

At its outset the Program intends to offer three distinct types of investment options, as follows:

- Age-based / Target Date Funds
- A Capital Preservation Fund
- A Growth Fund

Age-based / Target Date Funds

The age-based / target date funds are intended to provide participants with an asset allocation based on the number of years to anticipated retirement date that changes over time and is intended to maximize growth potential in early years through a higher exposure to equities, and preserve capital in later years through exposure to fixed income securities. Target date funds should be diversified and include a blend of asset classes as selected by the fund manager. Performance and volatility expectations will vary based on the asset allocation and risk profile of each fund in the target date series. For participants who use the Standard Elections, all contributions after the first $1,000 contributed to an OregonSaves account will be automatically invested in the Target Date Fund closest to the participant's achievement of age 65.

Capital Preservation Fund

The capital preservation investment option is intended to provide participants with preservation of capital with the potential for some investment earnings. Risk, as measured by risk to principal and volatility of returns, is intended to be very low. Because of its emphasis on safety, the fund may not provide much protection against value erosion due to inflation, and depending on the investment type selected, may still retain the possibility of liquidity and credit risks under extreme circumstances. For participants who use the Standard Elections, the first $1,000 contributed to an OregonSaves account will be automatically invested in this Investment Option.

Growth Fund

The growth investment option is intended to provide for long-term growth of capital through investment in common stocks with capitalization and valuation characteristics in line with broad market averages. Risk, as measured by volatility of returns, is expected to be moderate to high, and current income is not a primary objective.

The Program may offer additional or different investment choices in the future, at the discretion of the Board.

Standard Elections of the Program and Use of Investment Funds

Standard elections of the Program for participants using payroll deduction are as follows:

- Initial rate of contribution to the Program is 5% of Compensation;
- The contribution will be automatically increased at the rate of 1% of Compensation on January 1 each year, beginning January 1, 2019, until a maximum of 10% of Compensation is reached, except capped at a lower rate where 10% would exceed age-based IRA contribution thresholds;
- Investments:
  - The first $1,000 in contributions are invested in the OregonSaves Capital Preservation Fund;
  - All subsequent contributions are invested in the OregonSaves Target Retirement Fund based on the participant’s age and year of retirement (assuming a retirement age of 65); and
- The OregonSaves Account structure will be a Roth IRA and contributions will occur on a post-tax basis.

Participants retain the flexibility to make different elections, and to choose any mix of investments from the menu offered by the program, both for account balances, and for contributions to their accounts.

Investment Guidelines and Restrictions

Selection of Investment Options

The investments comprising each investment option may be maintained in registered investment companies (or "mutual funds") or when deemed appropriate by the Board, separately managed portfolios, commingled funds, and exchange traded funds ("ETFs"). It is intended that each investment option will support the objectives of this Policy, taking into consideration the types of investments and investment vehicles that are available to the Program.

The specific investments or investment vehicles chosen by the Board must be managed by organizations that, by their record and experience, have demonstrated their investment expertise.

Other considerations for the investments or investment vehicle for a Program investment option include that they also should:

- Be well diversified,
- Have acceptable volatility, when compared to a specified peer group and benchmark,
- Have the liquidity and/or marketability to meet the terms of the Program,
- Have reasonable fees and expenses, and
- Agree to meet all other relevant requirements set forth in this Policy.

Review of Investment Objectives and Policy

It is the intention of the Board to review this Policy periodically and make necessary or appropriate amendments. The Board will review the Investment Policy at least annually in the Program's first three years of operation.

The Board encourages investment providers/managers and Program participants to make recommendations to the Board regarding appropriate changes to this Policy. However, no investment provider/manager may deviate from this Policy without prior written approval of the Board.

The Board has the power to add, remove, replace, amend or modify the investment options and add, remove or replace the underlying investment managers and investment vehicles in its discretion.

Review of Investment Funds

The Board intends to review the investment options at least once a year. The reviews will focus on the following areas:

- Investment manager adherence to guidelines

- Comparison of results to those of funds using similar policies (in terms of diversification, volatility, style, etc.), and that are available to the Program
- Material changes in the investment manager organizations, such as philosophy and personnel changes, acquisition or loss of major accounts, significant changes in organization structure including mergers & acquisitions, and more
- Comparison to alternative investment options available in the marketplace

Standards of Performance

In consideration of the Program's objectives, multiple standards may be used in the evaluation of investment performance. The standards used are generally expected to reflect the key aspects of investment performance, including the specific objectives for the mandate, the performance of market indices, and the performance of other fund managers. Where appropriate, funds will be compared to a universe of a specified peer group of other funds, as well as to a benchmark index. The comparison may be made by matching key characteristics of each fund against the characteristics of the peer group funds.

Watch List

The Board, at its discretion, may find it necessary to place an investment manager or investment vehicle on a watch list (the "Watch List") if it is not meeting the stated investment performance objectives or if there has been a fundamental change in the investment manager or its investment philosophy. The investment manager or investment vehicle shall remain on the Watch List until either performance improves and/or the fundamental change in the investment manager or the investment philosophy is resolved, or it is decided by the Board to remove the investment manager or vehicle from the Program. These decisions will be made within the constraints of any prevailing contracts.

Watch List status is not a required precursor to termination of an investment manager or redemption from an investment vehicle. Conversely, Watch List designation also does not require action by the Board. Instead, the Watch List recognizes closer review of an investment manager or vehicle by the Board that may or may not result in termination or change.

Investment Options – Detail

Age-based / Target Date Funds

Category	Standard Election
Investment Option	**Target Date Funds**
Investment Objective	The investment objective of each State Street Target Retirement Fund (the "Underlying Fund") is to seek capital growth and income over the long term.

Investment Strategies	SSGA Funds Management, Inc. ("SSGA FM" or the "Adviser"), the investment adviser to the Underlying Fund, manages the Underlying Fund using a proprietary asset allocation strategy. The Underlying Fund is a "fund of funds" that invests in a combination of mutual funds and ETFs sponsored by the Adviser or its affiliates (the "Investment Funds"). The Investment Funds may invest in a wide variety of asset classes, including equity and fixed-income securities of issuers anywhere in the world, including emerging markets investments, and including, among others, high yield, commodity, and real estate investments. The Investment Funds may invest in obligations of domestic U.S. issuers, non-U.S. issuers, or both. The Underlying Fund is intended for investors expecting to retire around the year indicated in the name of the Underlying Fund and likely to stop making new investments in the Underlying Fund at that time. The Underlying Fund is designed for an investor who plans to withdraw the value of the investor's account gradually following that date. The Adviser seeks to optimize the Underlying Fund's "glide path" for the wealth accumulation, wealth preservation, and income generation phases of retirement planning and includes adjustments in the critical years immediately preceding and following the retirement date. For example, a Underlying Fund with a target retirement date far into the future will typically invest a greater portion of its assets in asset classes with higher risk profiles and the potential for higher returns. As the target date for a Underlying Fund approaches, the Adviser will adjust the asset allocation and risk profile of the Underlying Fund – its glide path – to what is generally seen to be a more conservative approach to reduce (but not to eliminate) risk by increasing the allocation to asset classes that have historically been subject to lower levels of volatility. A fund intended for investors who have already achieved retirement age would typically invest a greater portion of its assets in bonds and cash items, with a relatively smaller allocation to equity securities. The Investment Funds employ a wide array of investment styles. For example, the Investment Funds can buy and sell common stocks of companies of any size, corporate bonds of varying credit quality, U.S. government and agency bonds, mortgage- and asset-backed securities, commodities, real estate and money market instruments. They may hold U.S. or non-U.S. investments. The Investment Funds may use derivative instruments of any kind, including futures contracts, forward currency contracts, credit default swaps, interest rate swaps and commodities-related derivatives. Derivatives may be used by an Investment Fund for hedging or risk management purposes, as a substitute for direct investment, or otherwise to seek to enhance the Investment Fund's total return.

Expected Risk	Risks vary by fund.
Investment Vehicle	Mutual Fund
Benchmark	S&P Target Date Index Series
Peer Group	Morningstar Category U.S. Fund Target Date Series

Growth Fund

Category	Growth
Investment Option	**U.S. Large Cap Equity Index Fund**
Investment Objective	The investment objective of the State Street Equity 500 Index Fund (the “Underlying Fund”) is to replicate as closely as possible, before expenses, the performance of the Standard & Poor's 500 Index (the “S&P 500” or the “Index”).
Investment Strategies	The Underlying Fund uses a passive management strategy designed to track the performance of the S&P 500. The Index is a well-known stock market index that includes common stocks of 500 companies from a number of sectors representing a significant portion of the market value of all stocks publicly traded in the United States. A significant portion of the Index is comprised of companies in the information technology sector, although this may change from time to time. The Underlying Fund is not managed according to traditional methods of “active” investment management, which involve the buying and selling of securities based upon economic, financial and market analysis and investment judgment. Instead, the Underlying Fund, using a “passive” or “indexing” investment approach, seeks to provide investment results that, before expenses, correspond generally to the total return of the S&P 500.
Expected Risk	High
Investment Vehicle	Mutual Fund
Benchmark	S&P 500 Index
Peer Group	Passive U.S. Large Cap Equity Universe

Capital Preservation

Category	Capital Preservation
Investment Option	**Prime Obligation Money Market Fund**
Investment Objective	The investment objective of the State Street Institutional Liquid Reserves Fund (the “Underlying Fund”) is to seek to maximize current income, to the extent consistent with the preservation of capital and liquidity, by investing in U.S. dollar-denominated money market securities.
Investment Strategies	The Underlying Fund follows a disciplined investment process in which SSGA Funds Management, Inc. (“SSGA FM” or the “Adviser”), the investment adviser to the Underlying Fund, bases its decisions on the relative attractiveness of different money market instruments. In the Adviser's opinion, the attractiveness of an instrument may vary depending on the general level of interest rates, as well as imbalances of supply and demand in the market. The Underlying Fund invests in accordance with regulatory requirements applicable to money market funds, which require, among other things, the Underlying Fund to invest only in short-term, high quality debt obligations (generally, securities that have remaining maturities of 397 calendar days or less and that the Underlying Fund believes present minimal credit risk), to maintain a maximum dollar-weighted average maturity and dollar-weighted average life of sixty (60) days or less and 120 days or less, respectively, and to meet requirements as to portfolio diversification and liquidity. Although the Underlying Fund is a money market fund, the net asset value (“NAV”) of the Underlying Fund's Shares “floats,” fluctuating with changes in the values of the Underlying Fund's portfolio securities. The Underlying Fund typically accepts purchase and redemption orders multiple times per day, and calculates its NAV at each such time. The Underlying Fund attempts to meet its investment objective by investing in a broad range of money market instruments.
Expected Risk	Low Risk; note that the investors could lose money by investing in the Underlying Fund. Because the share price of the Underlying Fund will fluctuate, when investors sell their shares they may be worth more or less than what investors originally paid for them. The Underlying Fund may impose a fee upon the sale of investor shares or may temporarily suspend an investor’s ability to sell shares if the

	Underlying Fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the Underlying Fund is subject to investment risks, including possible loss of principal, is not a deposit in a bank and is not insured or guaranteed by the FDIC or any other government agency. The Underlying Fund's sponsor has no legal obligation to provide financial support to the Underlying Fund, and investors should not expect that the sponsor will provide financial support to the Underlying Fund at any time.
Investment Vehicle	Mutual Fund
Benchmark	U.S. Treasury 3-Month Bill
Peer Group	Morningstar Category Prime Money Market