

**STATE OF NEW MEXICO**

**PUBLIC EMPLOYEES RETIREMENT  
ASSOCIATION OF NEW MEXICO**

**INVESTMENT POLICY**

**for the**

**PERA** *SmartSave*  
Deferred Compensation Plan 

Revised July 26, 2018

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## **I. SCOPE**

This Investment Policy (“Policy”) applies to investment of the income deferred and any gains arising from such income entrusted to the State of New Mexico SmartSave Deferred Compensation Plan (“the Plan”) administered by the Public Employees Retirement Association of New Mexico (“PERA”).

**DISCLAIMER:** The Plan is a voluntary, participant-directed, deferred compensation plan. The Plan Participants are responsible for developing and monitoring a strategy for the investment of their accounts. Nothing in this Policy is intended to or should be understood as a guarantee of returns or protection of losses by PERA from participation in the Investment Options selected for the Plan under authority of this Policy.

## **II. DEFINITIONS**

As used in this Policy:

“the Act” means the State of New Mexico Deferred Compensation Act, NMSA 1978, sections 10-7A-1 through 10-7A-12, as it may be amended from time to time;

“Board” means the same as the term defined in the Act, and refers to the PERA Board;

“CIO” means the PERA Chief Investment Officer;

“the Code” means section 457 of the Internal Revenue Code and its implementing regulations, as they may be amended from time to time;

“Deferred Compensation Carrier” means the same as the term defined in the Act;

“Investment Consultant” means the principal investment consultant selected by the Board from time to time to advise the Board about the investment functions of the Plan;

“Investment Manager” means an entity that offers or manages one or more Investment Options proposed or selected for the Plan.

“Investment Option” means an investment, including a Core Investment Option, available to Plan Participants with specific investment objectives, targeted returns, and risk parameters;

“Plan Document” means the governing document of the same name that the Board adopted for the Plan in compliance with the Code and the Act, as it may be amended from time to time;

“Plan Participant” means a person who is eligible and has elected to invest through the Plan;

“Structure” means the composition of Investment Options for the Plan; and,

“Third-Party Administrator” is a Deferred Compensation Carrier that performs recordkeeping and other functions of the Third-Party Administrator described in the Plan Document.

## **III. LEGAL AUTHORITY AND PURPOSE OF THE PLAN**

The Board administers the Plan under the authority of the Act. For the purposes of this Policy, section 10-7A-3 of the Act authorizes the Board to “review and approve deferred compensation plans for participation by state and local public employees” in accordance

with the Code, as amended, and other federal laws. The Board adopts this Policy, in part, to comply with its responsibilities to Plan Participants under applicable provisions of the Uniform Prudent Investor Act, NMSA 1978, § 5-7-601 to 45-7-612.

The Board established the SmartSave Committee to assist the Board in administering the Plan.

This Policy shall compliment the Act, the Plan Document, and other applicable laws. The PERA Investment Procurement Policy governs selection of the Investment Consultant, Investment Managers, the Third-Party Administrator, and such other consultants as may be necessary from time to time, that are delegated authority to advise the Board and administer the Plan and the Investment Options made available through the Plan.

#### **IV. PURPOSE OF THE POLICY**

In administering the Plan, the Board acts as a trustee for the exclusive benefit of the Plan Participants and their beneficiaries by providing a voluntary, participant-directed, supplemental, eligible tax-deferred retirement program that is understandable, transparent, and offers competitive fees. Accordingly, the Board adopts this Policy to implement section 10-7A-8(A) of the Act which authorizes the Board to review proposals providing Investment Options to participants of a deferred compensation plan and approve proposals that are consistent with the goals of providing state or local public employees with an investment that is safe and will provide a reasonable return to the employees upon their reaching the appropriate age or date at which they may begin receiving funds from the deferred compensation plan.

This Policy describes the relative responsibilities and processes for structuring investment opportunities for the Plan as well as selection of the Investment Options that the Plan makes available to participants. This Policy shall guide the Board, the SmartSave Committee, the CIO, and contractors in their mission to ensure that these objectives will be met in a prudent manner and consistent with governing rules and regulations.

#### **V. ROLES AND RESPONSIBILITIES**

##### **A. The PERA Board**

The Board relies on the SmartSave Committee, the CIO, the Investment Consultant, and the Third-Party Administrator to administer the Plan. As described below, the Board sets forth their respective roles and responsibilities in accordance with the Plan Document, applicable rules, and the SmartSave Committee Charter. The Board oversees administration of the Plan as described in this Policy in accordance with its fiduciary duty to Plan Participants.

The Board has the final authority to:

1. approve revisions and amendments to this Policy, including, but not limited to:
  - a. the Structure of the investments available through the Plan;
  - b. the qualifications and selection criteria for Investment Managers and Investment Options;

- c. the considerations for monitoring the performance of the investment Structure, Investment Options, the Investment Consultant, Investment Managers, the Third-Party Administrator, and other consultants;
2. select the Investment Consultant and other consultants;
3. select the Third-Party Administrator; and
4. establish and reestablish schedules for reporting and recommendation under this Policy.

**B. SmartSave Committee**

The Board adopted NMAC Rule 2.80.200.50(A) to establish the PERA SmartSave Committee to “review and monitor the administration of the deferred compensation plan investment policy adopted by the Board.” Accordingly, the PERA SmartSave Committee shall periodically report and recommend to the Board about:

1. improvements to the Structure of the investments in the Plan that will optimize the potential deferred compensation benefits available to Plan Participants;
2. the performance of Investment Managers and the Investment Options selected for the Plan including comparative performance against applicable benchmarks and other investments, and the competitiveness of their fees to Plan Participants;
3. the market for Investment Options appropriate for deferred compensation plans that may be beneficial to Plan Participants;
4. the selection process and recommendation to the Board of the Investment Consultant and the Third-Party Administrator based on the selection procedures administered under the authority of the CIO;
5. monitoring the performance of the Investment Consultant and the Third-Party Administrator; and,
6. monitoring the Structure of investments and the Investment Options for compliance with the Code and IRS guidelines, the Act, and other applicable law, this Policy, the Plan Document, and industry best practices.

**C. CIO**

The CIO is responsible for implementing the policies and objectives established by the Board and the SmartSave Committee. Specifically, the CIO is responsible for and shall periodically report to the SmartSave Committee about:

1. selection and termination of Investment Managers and specific Investment Options that shall be made available to Plan Participants through the Plan with the advice of the Investment Consultant and in consultation with the Third-Party Administrator;
2. monitoring the performance of consultants and Investment Managers and the Investment Options selected for the Plan including comparative performance against applicable benchmarks and other investments, and the competitiveness of their fees;

3. changes in the market for Investment Options appropriate for deferred compensation plans;
4. administration of selection procedures for the Investment Consultant, the Third-Party Administrator, and other consultants in accordance with the PERA Investment Procurement Policy for recommendation to the SmartSave Committee and approval by the Board;
5. whether investment objectives and guidelines remain appropriate and effective for the Plan;
6. whether other revisions or amendments to this Policy are prudent and consistent with industry best practices; and,
7. action taken and the progress made to achieve the directions of the SmartSave Committee and the Board about the Structure of the investments and Investment Options provided by the Plan.

**D. The Investment Consultant**

The Investment Consultant advises and reports to the SmartSave Committee, the Board, and the CIO on the investment Structure and Investment Options provided to Plan Participants.

1. Specifically, the Investment Consultant periodically advises the SmartSave Committee and the Board in conjunction with the CIO about:
  - (a) the performance of Investment Managers and the individual Investment Options selected for Plan Participants including the objectives of the Investment Option, comparative performance against applicable benchmarks and other investments, and the competitiveness of their fees as compared to comparable investment strategies;
  - (b) evaluation of the investment Structure and asset allocation portfolios including the Plan's existing Investment Options from which participants may choose in order to in order to optimize, on a risk-adjusted basis, the potential benefits available to Plan Participants;
  - (c) the market for Investment Options appropriate for deferred compensation plans;
  - (d) selection of any new or replacement Investment Manager or Investment Option;
  - (e) whether investment objectives and guidelines remain appropriate and effective for the Plan;
  - (f) annual rebalancing recommendations for the asset allocation (mixes) of the Target Date Maturity Lifecycle Funds; and,
  - (g) the Plan's compliance with this Policy and industry best practices.
2. In rendering advice and other services to the Plan, the Investment Consultant shall:

- (a) act in a fiduciary capacity to PERA with respect to those services for which it exercises discretion and with respect to investment advice that is fiduciary in nature under ERISA; and,
- (b) exercise skill superior to that of an ordinary person.

**E. Investment Managers**

An Investment Manager provides one or more Investment Options to Plan Participants in accordance with its contractual agreement and the requirements of the Third-Party Administrator. In rendering services to the Plan, an Investment Manager shall:

1. serve as a fiduciary to the Plan as required by law;
2. manage their Investment Options according to the requirements of applicable securities laws, the terms and conditions of their contracts, the relevant prospectuses, and other offering materials;
3. report investment performance and fees as directed by the Investment Consultant, the CIO, the SmartSave Committee, and the Board; and,
4. promptly notify the Investment Consultant and the CIO in writing of any changes in an Investment Option, an Investment Manager's strategy, operation, organization, or personnel that may materially, adversely impact the performance of an Investment Option provided by the Investment Manager for the Plan.

**F. The Third-Party Administrator**

The responsibilities of the Third-Party Administrator are described in the Plan Document and its contract with PERA and principally involves record keeping, enrollment, education services, and other administrative duties for the Plan as required by section 457(b) of the Code and applicable regulations.

## **VI. POLICIES FOR INVESTMENTS**

**A. Considerations and Criteria for Structuring of Investment Options**

The Board recognizes that the appropriate investment strategy for an individual Plan Participant is a function of multiple personal factors, including age, income, time horizon, risk tolerance, return and accumulation objectives, and the availability of assets outside of the Plan. In order to provide participants with the opportunity to identify investment alternatives that meet their individual needs, the Plan shall provide a tiered Structure of Investment Options in which participants may invest. The Structure of investments approved by the Board is memorialized in Appendix A of this Policy.

The Board relies on the Investment Consultant and the CIO to identify and recommend for consideration by the SmartSave Committee and the Board an investment Structure tailored to meet a reasonably inclusive, representative menu of the multiple personal factors identified in the previous paragraph. The Investment Consultant and the CIO shall consult and coordinate with the Third-Party Administrator to ensure that the investment Structures recommended to the SmartSave Committee and the Board are compatible with the Code, the Act, and the duties of the Third-Party Administrator based on its contract and the Plan Document.

## **B. ERISA Considerations**

Although the Plan is not subject to the Employee Retirement Income Security Act of 1974 (“ERISA”), the Board recognizes that ERISA section 404(c) provides, in principal part, the appropriate criteria for evaluating the investment Structure of the Plan for the purpose of protecting Plan Participants and allowing PERA and other fiduciaries to minimize potential liability arising from administering Investment Options under the Plan. Accordingly, the following considerations are appropriate to the determination and reconsideration of the investment Structure for the Plan:

1. There should be at least three diversified Core Investment Options representing a broad range of investment alternatives.
2. Each Investment Option identified as a Core Investment Option must itself be a diversified portfolio of investments.
3. The Plan should provide participants with the opportunity to switch investments as frequently as “appropriate in light of the market volatility of the investment alternatives.”
4. The Plan should permit transfers of the Investment Options identified as Core Investment Options on a quarterly basis, meaning at least once in any three-month period.
5. The Plan should ensure Plan Participants may readily obtain information sufficient to permit efficient and confident investment decisions about each Investment Option, including fees.
6. The Plan should ensure that Plan Participants are notified of the Board’s intention to comply with ERISA section 404(c).

In addition to the foregoing, in the event that a Plan Participant fails to provide investment instructions regarding either his or her balance in or future contributions to the Plan, such balances and contributions shall be invested in a Qualified Default Investment Alternative (QDIA). The QDIA selected for a Plan Participant shall be the Target Maturity Lifecycle Fund (*see* the references to Target Maturity Lifestyle Fund in Appendices A, B, and C) that is identified for the period of time remaining before Plan Participant’s 65<sup>th</sup> birthday.

## **C. Selection of Investment Managers and Investment Options for the Plan**

Investment Options must advance the purpose of this Policy and fit the investment Structure adopted by the Board as set forth in Section V (A), above. The Board identifies the following additional qualifications and criteria to be considered by the Investment Consultant and the CIO when evaluating proposals for Investment Managers and Investment Options for the Plan.

### **1. General Selection Criteria**

- (a) An Investment Manager must have all necessary licenses and have been engaged in the business of managing institutional assets.



- (b) An Investment Manager must be a well-established firm with a history of running its business in the interest of its investors.
- (c) An Investment Manager must demonstrate a well-defined investment process compatible with the investment objectives of the Plan.
- (d) An Investment Manager must demonstrate a verifiable track record of consistent adherence to the stated objectives and restrictions of an Investment Option that has been offered generally for at least three years.
- (e) An Investment Manager, or as appropriate and an Investment Option, shall have sufficient assets under management to maintain the Investment Manager's commitment to supporting the strategy and avoid exposure of the Plan to an unreasonable risk of loss,
- (f) An Investment Option must be managed by an investment team with the capacity and resources to implement a proven, consistent, and repeatable investment process.
- (g) An Investment Option must be available through an investment vehicle that is appropriate for the Plan with competitive fees charged to the Plan Participants.
- (h) An Investment Option must demonstrate historical risk and return characteristics that are consistent with the specified role of the Investment Option in the Structure the Plan.

## **2. Selection criteria for actively managed Investment Options**

- (a) An Investment Option must demonstrate a record of net-of-fee excess performance relative to the strategy's stated benchmark and/or peer group over a period of 3 to 5 years or greater, unless the Investment Manager can justify, to the satisfaction of the Investment Consultant and the CIO, that this criteria is not applicable due to unique circumstances or objectives.
- (b) An Investment Option must demonstrate risk-adjusted performance that is superior to the benchmark and/or peer group as judged by the strategy's Return/Risk Ratio or Information Ratio (average annualized excess return divided by annualized standard deviation of excess returns) over a period of 3 to 5 years or greater, unless the Investment Manager can justify, to the satisfaction of the Investment Consultant and the CIO, that this criteria is not applicable due to unique circumstances or objectives.

## **3. Selection criteria for passively managed Investment Options**

- (a) A passively managed Investment Option must demonstrate a tracking history against its stated benchmark within a reasonable range.
- (b) A passively managed Investment Option must demonstrate competitive costs relative to comparable investments.

#### **4. Selection Process**

- (a) The Investment Consultant is responsible for initial screening of potential Investment Options against the aforementioned selection criteria and selects no less than two finalists for referral to the CIO, if there are at least two suitable candidates that meet the selection criteria.
- (b) The CIO with the advice of the Investment Consultant, selects one or more Investment Options that are appropriate for the investment Structure adopted by the Board, other provisions of this Policy.
- (c) The CIO and the Investment Consultant shall report selection of Investment Managers and Investment Options to the SmartSave Committee and the Board.

Individual Investment Options are listed in Appendix B, brief explanatory profiles of those Investment Options are listed in Appendix C, and target maturities and the asset allocation for the LifeCycle Funds are set forth in Appendix D.

### **VII. MONITORING INVESTMENT OPTIONS**

As directed by the Board, the Investment Consultant and the CIO shall report to the SmartSave Committee and the Board the results of monitoring of the Investment Managers and the Investment Options based on quantitative and qualitative criteria set forth below. The Investment Consultant and the CIO shall explain to the SmartSave Committee and the Board whether Investment Managers and Investment Options are retained or terminated based on the results of monitoring and the condition of the markets.

It is expected that an Investment Option designated for an investment category will meet or exceed the following considerations:

#### **A. Considerations for Qualitative Monitoring**

- 1. In the case of separate accounts, compliance of the Investment Manager and the Investment Option with stated investment guidelines, contract terms, and/or state and applicable federal laws and rules.
- 2. Adherence to stated investment style and philosophy.
- 3. Ownership stability and alignment of interests with investors.
- 4. Retention and attraction of key investment professionals associated with the management of the Investment Option.
- 5. Absence of litigation or regulatory action that may have a material adverse effect on future investment performance and investor confidence.
- 6. Disclosure of relevant information that may have a material adverse impact on performance.

#### **B. Considerations for Quantitative Monitoring**

- 1. Evaluation of total time-weighted rates of return of the Investment Option net of investment management fees and all Investment Option expenses, but gross of

Plan expenses (based on an explicit statement of fees or other Plan costs to participants).

2. Evaluation of performance of the option against a respective market index and peer group median over a rolling three- and five-year periods. Volatility will be measured by the standard deviation of quarterly returns and should be reasonably comparable to each Investment Option's respective market index and the respective peer group averages. Investment Options with greater volatility than their indices should earn higher returns than those indices.

By signing this Investment Policy, the Board through its Chair, adopts this revised Policy along with Appendices A, B, C, and D, that are attached to this Policy.

Adopted: June 24, 2004  
Revised: August 2010  
Revised: August 2012  
Revised: April 2015  
Revised: July 2018

By:   
James Maxon, Chair

## APPENDIX A—INVESTMENT STRUCTURE

The Board has approved the following investment Structure for the Plan:

Tier	Philosophy
<b>Tier 1 – Target Maturity Lifecycle Funds</b>	Allows participants to choose the diversified investment portfolio that best fits their time horizon, risk tolerance and investment goals. As the target date of each fund approaches, the asset allocation progresses to a more conservative risk-return profile. Designed for investors who want a ‘streamlined’ approach to investing and a professionally managed asset allocation.
<b>Tier 2 – Core Fund Array (Passive)</b>	Allows participants to create their own portfolios without active management risk based on the asset classes (or types of investments) that best fit their time horizon, risk tolerance and investment goals.
<b>Tier 3 – Core Fund Array (Active)</b>	Allows participants to create and complement their portfolios using active managers based on the asset classes (or types of investments) that best fit their time horizon, risk tolerance and investment goals.
<b>Tier 4 – Extended Choice Array</b>	Affords participants with diversification opportunities outside the traditional asset classes of stocks, bonds, and cash. Participants may use Tier 4 options to further diversify their holdings in other investment Tiers.
<b>Tier 5 – Brokerage Window</b>	Allows participants to supplement Tier 1, 2, 3, and/or 4 investments with additional mutual funds or other diversified investments based on their time horizon, risk tolerance, investment goals and/or fund manager preferences.

## APPENDIX B— INVESTMENT OPTIONS

The following Investment Options have been approved for Plan Participant-directed investment:

Investment Option	Comparative Manager Peer Group Universe Median 3 and 5 Years	Relative Market Index 3 and 5 Years
<b>Target Maturity Lifecycle Funds</b>	Target Date Fund Universe	Each Option Will Be Evaluated Compared to Customized Indices Based on Asset Allocation Mixes
<b>Stable Value Fund</b>	Stable Value Fund Universe	3-year Constant Maturity Treasury yield over a full interest rate/market cycle
<b>Inflation Protected Bond</b>	Inflation Protected Mutual Fund Universe	Barclays Capital US TIPS Index
<b>Diversified Inflation Hedge</b>	Diversified Inflation Hedge Mutual Fund Universe	Customized Indices Based on Asset Allocation
<b>Market Duration Bond Fund (Passive)</b>	Core Fixed Income Mutual Fund Universe	Barclays Capital Aggregate Bond Float Adjusted Index (Tracking Error +/- 20 basis points) ††
<b>Global Bond Fund</b>	Global Fixed Income Mutual Fund Universe	Citigroup World Gov't Bond Index
<b>Balanced Fund</b>	Balanced Manager Mutual Fund Universe	60% S&P 500 Index/40% Barclays Capital Aggregate Bond Index
<b>Global Real Estate Investment Trust Fund</b>	Global Real Estate Mutual Fund Universe	FTSE EPRA/NAREIT Developed Index
<b>Large Capitalization Value Equity Fund</b>	Large Cap Value Equity Mutual Fund Universe	Russell 1000 Value Index
<b>Large Capitalization Core Equity Fund (Passive)</b>	Large Cap Core Equity Mutual Fund Universe	S&P 500 Index (Tracking Error +/- 30 basis points) ††
<b>Large Capitalization Growth Equity Fund</b>	Large Cap Growth Equity Mutual Fund Universe	Russell 1000 Growth Index
<b>International Equity Fund (Passive)</b>	International (All Country World ex-US ) Equity Index Mutual Fund Universe	FTSE Global All Cap ex US Index (Tracking Error +/- 30 basis points) ††
<b>International Large Cap Equity Fund (Active)</b>	International Equity Mutual Fund Universe	MSCI EAFE (Net) Index
<b>Mid Capitalization Core Equity Fund</b>	Mid Cap Core Equity Mutual Fund Universe	Russell Midcap Index
<b>Mid Capitalization Growth Equity Fund</b>	Mid Cap Growth Equity Mutual Fund Universe	Russell Midcap Growth Index
<b>Small+Mid Capitalization Value Equity Fund</b>	Small+Mid Cap Value Equity Mutual Fund Universe	Russell 2500 Value Index
<b>Small Capitalization Core Equity Fund</b>	Small Cap Core Equity Mutual Fund Universe	Russell 2000 Index
<b>Emerging Markets Equity Fund</b>	Emerging Markets Equity Mutual Fund Universe	MSCI EM (Net) Index
<b>Self-Directed Brokerage Account</b>	N/A	N/A

† Target Maturity Lifecycle Funds will also be evaluated based on their asset allocation mixes, ability to span the risk/return spectrum, and the underlying funds that comprise each lifecycle fund.

†† Tracking error is defined as the return of the Fund minus the return of the index. When evaluating the performance of the Fund relative to the respective index, the tracking error should fall within the stated amount of basis points relative to the index on an annualized basis over the 3 and 5 year periods.

## APPENDIX C— INVESTMENT OPTION PROFILES

Appendix C provides brief profiles of each Investment Option offered by the Plan.

Option	Targeted Maturity Lifecycle Funds
<b>Objectives</b>	<ul style="list-style-type: none"> <li>▪ Provide an array of Investment Options diversified by varying asset allocation mixes (between stocks, bonds and cash) for participants who wish to accumulate wealth based on their risk tolerances and time horizons through single Investment Options. The asset allocation of each Investment Option shall become more conservative as the target date nears.</li> <li>▪ Total return of each target maturity lifecycle fund shall correspond to the asset allocation (between stocks, bonds, cash, and other asset classes) at any given point time.</li> <li>▪ Offset the higher volatility of stock returns with the stability of income-generating bonds and cash</li> </ul>
<b>Primary Investments</b>	<p><b>Asset Allocation:</b></p> <p>The asset allocation mix of each target maturity fund shall be determined by the Board based on direction from the Investment Consultant, Plan Administrator and Trustee. It is expected, however, that each target maturity fund will be appropriately diversified among various asset classes based on the fund's stated investment objectives. It is also expected that the entire array of targeted maturity funds will be differentiated by asset allocation so that each fund has its own differentiated risk/return characteristics. Please refer to Appendix D for the current allocation targets</p> <p><b>Equity Segment:</b></p> <p>The equity portfolio shall be invested in a diversified array of US and international equity mutual/commingled funds that are differentiated by investment objective, security selection methodology, style (value, core and growth) and market capitalization (large, medium and small), as appropriate.</p> <p><b>Fixed Income Segment:</b></p> <p>The fixed income portfolio shall be invested in a diversified array of fixed income mutual/commingled funds. These funds shall be differentiated by investment objective, security selection methodology, maturity focus (long, intermediate and short), sector concentration and quality, as appropriate.</p> <p><b>Stable Value Segment:</b></p> <p>The stable value segment shall be invested in a high quality stable value fund(s) with an average yield consistent with the 3-year Constant Maturity Treasury over a full interest rate/market cycle.</p> <p><b>Other asset classes:</b></p> <p>The Plan may elect to use other asset classes within the funds. The alternative assets section shall be invested in asset classes that offer relatively low correlation of returns relative to the stocks, bonds, and cash.</p>
<b>Source of Return</b>	<ul style="list-style-type: none"> <li>▪ Interest and dividend income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>
<b>Expected Return</b>	Low to high based on asset allocation mix/time horizon
<b>Expected Risk</b>	Low to high based on asset allocation mix/time horizon
<b>Investment Vehicle</b>	Unitized fund of funds

## APPENDIX C— INVESTMENT OPTION PROFILES

Option	Stable Value Fund
Objectives	<ul style="list-style-type: none"> <li>▪ No principal loss</li> <li>▪ Provide a stable crediting rate with an average yield consistent with the 3-year Constant Maturity Treasury yield over a full interest rate/market cycle</li> </ul>
Primary Investments	Traditional investment contracts issued by banks and insurance companies, synthetic contracts, money market instruments, short-duration fixed income securities or commingled vehicles investing in such securities, and separate account contracts.
Source of Return	<ul style="list-style-type: none"> <li>▪ Contract income</li> <li>▪ Interest income</li> </ul>
Expected Return	Low
Expected Risk	Low
Investment Vehicle	Separately managed account

Option	Inflation Protected Bond
Objectives	<ul style="list-style-type: none"> <li>▪ Interest Income</li> <li>▪ Capital Appreciation in inflationary conditions</li> <li>▪ Total return equal to or greater than inflation</li> </ul>
Primary Investments	Treasury inflation-protected securities. May also invest in nominal treasury bonds, international inflation protected bonds, and other types of fixed income securities with a modest portion of the Portfolio. Typically, the dollar-weighted average maturity of the portfolio will be five to 10 years.
Source of Return	<ul style="list-style-type: none"> <li>▪ Interest income</li> <li>▪ Capital appreciation through inflation step-up of TIPS</li> </ul>
Expected Return	Low/Moderate
Expected Risk	Low/Moderate
Investment Vehicle	Mutual Fund

Option	Inflation Hedge Fund
Objectives	<ul style="list-style-type: none"> <li>▪ Interest Income</li> <li>▪ Inflation protection</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>
Primary Investments	The Fund may invest in inflation-indexed bonds, real estate investment trusts, commodities, fixed income securities, securities of natural resource companies, and master limited partnerships.
Source of Return	<ul style="list-style-type: none"> <li>▪ Interest income adjusted for inflation</li> <li>▪ Dividend Income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>
Expected Return	Moderate
Expected Risk	Moderate/High
Investment Vehicles	Mutual Funds, Collective Trusts or Separately Managed Accounts

## APPENDIX C— INVESTMENT OPTION PROFILES

Option	Market Duration Bond (Passive) Fund
Objectives	<ul style="list-style-type: none"> <li>Principal preservation</li> <li>Modest total return that outpaces inflation</li> </ul>
Primary Investments	Government, corporate and mortgage-backed fixed income securities with a average portfolio duration between three and six years; high-yield and international issues may be used opportunistically up to 15% and 20%, respectively, in each asset class.
Source of Return	<ul style="list-style-type: none"> <li>Interest income</li> <li>Capital appreciation/(depreciation)</li> </ul>
Expected Return	Low/Moderate
Expected Risk	Low/Moderate
Investment Vehicle	Mutual fund

Option	Global Bond
Objectives	<ul style="list-style-type: none"> <li>Geographical diversification</li> <li>Capital preservation</li> <li>Current income</li> </ul>
Primary Investments	Foreign-developed, foreign non-developed and domestic investment grade and non-investment grade sovereign and corporate debt securities. Currency exposure may be hedged or unhedged versus the domestic currency.
Source of Return	<ul style="list-style-type: none"> <li>Interest income</li> <li>Capital appreciation/(depreciation)</li> </ul>
Expected Return	Moderate
Expected Risk	Moderate
Investment Vehicle	Mutual fund

Option	Balanced Fund
Objectives	<ul style="list-style-type: none"> <li>Moderate total return</li> <li>Offset the higher volatility of stock returns with the stability of Income-generating bonds</li> </ul>
Primary Investments	<p><b>Asset Allocation:</b></p> <p>Invests approximately 60% of assets in domestic equity and the remainder in fixed income debt securities.</p> <p><b>Equity Segment:</b></p> <p>Predominantly US stocks with a modest amount of total assets (generally not in excess of 20%) possibly allocated to non-US stocks.</p> <p><b>Fixed Income Segment:</b></p> <p>Government, corporate and mortgage-backed fixed income securities with an average portfolio duration between three and six years; high-yield and international issues may be used opportunistically in each asset class.</p>
Source of Return	<ul style="list-style-type: none"> <li>Interest and Dividend Income</li> <li>Capital Appreciation/(Depreciation)</li> </ul>
Expected Return	Moderate
Expected Risk	Moderate
Investment Vehicle	Mutual Fund



## APPENDIX C— INVESTMENT OPTION PROFILES

Option	Global Real Estate Securities Fund
Objectives	<ul style="list-style-type: none"> <li>▪ High total return</li> <li>▪ Asset class diversification</li> <li>▪ REIT diversification across the US and non-US markets</li> </ul>
Primary Investments	Global stocks of entities that own, operate, develop or manage real estate. These stocks span small, mid and large market capitalizations.
Source of Return	<ul style="list-style-type: none"> <li>▪ Dividend income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>
Expected Return	Very High
Expected Risk	Very High
Investment Vehicle	Mutual fund

Option	Large Capitalization Value Equity Fund
Objectives	<ul style="list-style-type: none"> <li>▪ High total return</li> <li>▪ Diversification within the large cap equity market segment</li> </ul>
Primary Investments	Domestic stocks with market capitalizations that are similar to those of stocks found in Russell 1000 Index. The total portfolio should exhibit characteristics representative of a value equity investment style, including price/earnings and price/book ratios less than the Russell 1000 Index.
Source of Return	<ul style="list-style-type: none"> <li>▪ Dividend income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>
Expected Return	High
Expected Risk	High
Investment Vehicle	Mutual fund

Option	Large Capitalization Core Equity (Passive) Fund
Objectives	<ul style="list-style-type: none"> <li>▪ Track the return of the S&amp;P 500 Index</li> <li>▪ High total return</li> </ul>
Primary Investments	All the stocks comprising the S&P 500 Index and in the same proportion as the Index.
Source of Return	<ul style="list-style-type: none"> <li>▪ Dividend income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>
Expected Return	High
Expected Risk	High
Investment Vehicle	Mutual fund

Option	Large Capitalization Growth Equity Fund
Objectives	<ul style="list-style-type: none"> <li>▪ High total return</li> <li>▪ Diversification within the large cap equity market segment</li> </ul>
Primary Investments	Domestic stocks with market capitalizations that are similar to those of stocks found in Russell 1000 Index. The total portfolio should exhibit characteristics representative of a growth equity investment style, including price/earnings and price/book ratios greater than the Russell 1000 Index.
Source of Return	<ul style="list-style-type: none"> <li>▪ Capital appreciation/(depreciation)</li> <li>▪ Dividend income (modest or none)</li> </ul>
Expected Return	High
Expected Risk	High
Investment Vehicle	Mutual fund

## APPENDIX C— INVESTMENT OPTION PROFILES

Option	International Equity Fund (Passive)
<b>Objectives</b>	<ul style="list-style-type: none"> <li>▪ Track the return of the MSCI ACWI ex US IMI Net Index</li> <li>▪ High total return</li> <li>▪ Provide non-U.S. equity exposure thereby enhancing participant diversification opportunities</li> </ul>
<b>Primary Investments</b>	All the stocks comprising the MSCI ACWI ex US IMI Net Index and in the same proportion as the Index.
<b>Source of Return</b>	<ul style="list-style-type: none"> <li>▪ Capital appreciation/(depreciation)</li> <li>▪ Dividend income</li> </ul>
<b>Expected Return</b>	High
<b>Expected Risk</b>	Very High
<b>Investment Vehicle</b>	Mutual fund

Option	International Large Cap Equity Fund (Active)
<b>Objectives</b>	<ul style="list-style-type: none"> <li>▪ High total return</li> <li>▪ Provide non-U.S. equity exposure thereby enhancing participant diversification opportunities</li> </ul>
<b>Primary Investments</b>	International stocks with market capitalizations that are similar to those of stocks found in the MSCI ACWI ex US Index.
<b>Source of Return</b>	<ul style="list-style-type: none"> <li>▪ Capital appreciation/(depreciation)</li> <li>▪ Dividend income</li> </ul>
<b>Expected Return</b>	High
<b>Expected Risk</b>	Very High
<b>Investment Vehicle</b>	Mutual fund

Option	Mid Capitalization Core Equity Fund
<b>Objectives</b>	<ul style="list-style-type: none"> <li>▪ High total return</li> <li>▪ Diversification within the mid/small cap equity market segment</li> </ul>
<b>Primary Investments</b>	Domestic stocks with market capitalizations that are similar to those of stocks found in Russell Midcap Index. The total portfolio should exhibit characteristics representative of a core equity investment style, including price/earnings and price/book ratios in line with that of the Russell Midcap Index.
<b>Source of Return</b>	<ul style="list-style-type: none"> <li>▪ Dividend income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>
<b>Expected Return</b>	Very High
<b>Expected Risk</b>	Very High
<b>Investment Vehicle</b>	Mutual fund

Option	Mid Capitalization Growth Equity Fund
<b>Objectives</b>	<ul style="list-style-type: none"> <li>▪ High total return</li> <li>▪ Diversification within the mid/small cap equity market segment</li> </ul>
<b>Primary Investments</b>	Domestic stocks with market capitalizations that are similar to those of stocks found in Russell Midcap Index. The total portfolio should exhibit characteristics representative of a growth equity investment style, including price/earnings and price/book ratios greater than the Russell Midcap Index.
<b>Source of Return</b>	<ul style="list-style-type: none"> <li>▪ Dividend income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>
<b>Expected Return</b>	Very High
<b>Expected Risk</b>	Very High
<b>Investment Vehicle</b>	Mutual fund

## APPENDIX C— INVESTMENT OPTION PROFILES

<b>Option</b>	<b>Small Capitalization Core Equity Fund</b>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>▪ High total return</li> <li>▪ Diversification within the mid/small cap equity market segment</li> </ul>
<b>Primary Investments</b>	Domestic stocks with market capitalizations that are similar to those of stocks found in Russell 2000 Index. The total portfolio should exhibit characteristics representative of a growth equity investment style, including price/earnings and price/book ratios in line with the Russell 2000 Index.
<b>Source of Return</b>	<ul style="list-style-type: none"> <li>▪ Dividend income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>
<b>Expected Return</b>	Very High
<b>Expected Risk</b>	Very High
<b>Investment Vehicle</b>	Mutual fund

<b>Option</b>	<b>Emerging Markets Equity Fund</b>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>▪ High total return</li> <li>▪ Diversification among international markets</li> </ul>
<b>Primary Investments</b>	Emerging market stocks invested in companies that are domiciled in or derive the majority of their revenue from emerging market countries.
<b>Source of Return</b>	<ul style="list-style-type: none"> <li>▪ Dividend Income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>
<b>Expected Return</b>	Very High
<b>Expected Risk</b>	Very High
<b>Investment Vehicle</b>	Mutual fund

<b>Option</b>	<b>Self-Directed Brokerage Account</b>
<b>Objectives</b>	Provide participants with an additional Investment Options beyond the lifecycle funds and core option array.
<b>Primary Investments</b>	Mutual funds or other diversified investments with varying risk/return characteristics accessed through a self-directed brokerage account.
<b>Source of Return</b>	<ul style="list-style-type: none"> <li>▪ Interest and/or dividend income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>
<b>Expected Return</b>	Varies
<b>Expected Risk</b>	Varies

## APPENDIX D – Target Maturity LifeCycle Funds

Asset Allocation as of 12/31/21<sup>1</sup>

	2060 Portfolio (%)	2055 Portfolio (%)	2050 Portfolio (%)	2045 Portfolio (%)	2040 Portfolio (%)	2035 Portfolio (%)	2030 Portfolio (%)	2025 Portfolio (%)	Conservative Portfolio (%)
<b>Total Fixed Income</b>	<b>7.5</b>	<b>10.0</b>	<b>12.7</b>	<b>16.2</b>	<b>20.8</b>	<b>29.8</b>	<b>39.9</b>	<b>54.4</b>	<b>66.0</b>
<b>Total Stable Value</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>1.2</b>	<b>2.3</b>	<b>3.8</b>	<b>6.7</b>	<b>15.2</b>	<b>22.0</b>
NM Stable Value Fund (Galliard)	0.0	0.0	0.2	1.2	2.3	3.8	6.7	15.2	22.0
<b>Total Investment Grade Bonds</b>	<b>2.8</b>	<b>4.3</b>	<b>5.8</b>	<b>7.2</b>	<b>9.3</b>	<b>15.8</b>	<b>22.0</b>	<b>27.0</b>	<b>31.0</b>
Vanguard Inflation-Protected Sec.	0.2	1.1	1.7	2.6	3.2	4.2	5.7	9.2	12.0
Vanguard Total Bond Market Index	2.6	3.2	4.1	4.6	6.1	11.6	16.3	17.8	19.0
<b>Total Global Bonds</b>	<b>4.7</b>	<b>5.7</b>	<b>6.7</b>	<b>7.8</b>	<b>9.2</b>	<b>10.2</b>	<b>11.2</b>	<b>12.2</b>	<b>13.0</b>
Wellington Emerging Markets Debt	2.1	2.6	3.1	3.6	4.1	4.6	5.0	5.0	5.0
Columbia High Yield Bonds	2.6	3.1	3.6	4.2	5.1	5.6	6.2	7.2	8.0
<b>Total Equity</b>	<b>72.7</b>	<b>71.2</b>	<b>69.3</b>	<b>65.8</b>	<b>61.6</b>	<b>54.6</b>	<b>46.2</b>	<b>32.2</b>	<b>21.0</b>
<b>Total Domestic Equity</b>	<b>35.9</b>	<b>35.4</b>	<b>34.7</b>	<b>33.2</b>	<b>31.4</b>	<b>28.4</b>	<b>24.5</b>	<b>17.0</b>	<b>11.0</b>
Vanguard Institutional Index Fund	25.4	24.8	23.8	22.8	21.7	20.1	17.4	12.0	8.0
Principal Mid Cap Equity	3.5	3.6	3.7	3.5	3.4	2.9	2.4	1.8	1.0
T. Rowe Price Mid Cap Growth	3.5	3.6	3.7	3.5	3.4	2.9	2.4	1.8	1.0
Fidelity Small Cap Index	3.5	3.5	3.5	3.4	2.9	2.5	2.3	1.4	1.0
<b>Total International Equity</b>	<b>36.8</b>	<b>35.8</b>	<b>34.6</b>	<b>32.6</b>	<b>30.2</b>	<b>26.2</b>	<b>21.7</b>	<b>15.2</b>	<b>10.0</b>
Vanguard Total Int'l Stock Index	19.8	18.8	17.8	16.8	15.6	13.6	11.3	7.8	5.0
American Funds EuroPacific Growth	7.0	7.0	6.8	5.9	5.4	5.0	4.6	2.8	2.0
Aberdeen Emerging Markets	10.0	10.0	10.0	9.9	9.2	7.6	5.8	4.6	3.0
<b>Total Other</b>	<b>19.8</b>	<b>18.8</b>	<b>18.0</b>	<b>18.0</b>	<b>17.6</b>	<b>15.6</b>	<b>13.9</b>	<b>13.4</b>	<b>13.0</b>
<b>Total Core Private Real Estate</b>	<b>11.9</b>	<b>11.4</b>	<b>11.0</b>	<b>11.0</b>	<b>10.8</b>	<b>9.8</b>	<b>8.9</b>	<b>8.4</b>	<b>8.0</b>
Prudential Retirement Real Estate Fund II	11.9	11.4	11.0	11.0	10.8	9.8	8.9	8.4	8.0
<b>Total Diversified Inflation Hedge</b>	<b>7.9</b>	<b>7.4</b>	<b>7.0</b>	<b>7.0</b>	<b>6.8</b>	<b>5.8</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>
Principal Diversified Real Asset Fund	7.9	7.4	7.0	7.0	6.8	5.8	5.0	5.0	5.0

<sup>1</sup> The above portfolio allocations are dynamic and subject to an annual “roll down” schedule. When a portfolio's target date is reached, assets are rolled into the Conservative Portfolio and a new longer dated portfolio is created (e.g., In the year 2025, the 2025 Portfolio will be eliminated and a new 2065 Portfolio will be created)