

**SOONERSAVE**  
**INVESTMENT POLICIES AND GUIDELINES**

**Effective July 21, 2022**

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**Table of Contents**

<b>SECTION</b>	<b>TITLE</b>	<b>PAGE</b>
<b>I.</b>	<b>INTRODUCTION</b>	<b>3</b>
<b>II.</b>	<b>OBJECTIVES</b>	<b>3</b>
<b>III.</b>	<b>ADMINISTRATION</b>	<b>4</b>
<b>IV.</b>	<b>INVESTMENT OPTIONS</b>	<b>4</b>
<b>V.</b>	<b>INVESTMENT OPTION STATUS &amp; PROCEDURES</b>	<b>9</b>
<b>VI.</b>	<b>SELECTION OF INVESTMENT OPTIONS</b>	<b>9</b>
<b>VII.</b>	<b>PERFORMANCE REVIEWS</b>	<b>10</b>
<b>VIII.</b>	<b>PROXY VOTING POLICY</b>	<b>11</b>
<b>APPENDIX 1</b>	<b>SOONERSAVE INVESTMENT OPTIONS BY INVESTMENT CATEGORY</b>	<b>14</b>

# SOONERSAVE

## INVESTMENT POLICIES AND GUIDELINES

### I. INTRODUCTION

SoonerSave is a department of the Oklahoma Public Employees Retirement System and is comprised of two retirement savings plans – the Oklahoma State Employees Deferred Compensation Plan (OSEDCP) and the Oklahoma State Employees Deferred Savings Incentive Plan (SIP). OSEDCP is a tax-deferred savings plan that allows employees to contribute a portion of their salary into the Plan. Taxes on salary deferrals and earnings are deferred until the money is withdrawn. Additional incentive to participate is provided by the State, which contributes \$25.00 per month to the SIP for active participation of the OSEDCP.

The Board of Trustees of the Oklahoma Public Employees Retirement System (OPERS) has fiduciary responsibility to provide investment and administrative services to the Plan's participants. This document outlines the philosophies behind the structure and delivery of the investment options offered to participants and the process for maintaining the menu of participant offerings.

### II. OBJECTIVES

- A. To provide participants with a prudent menu of investment options to diversify their investment portfolios in order to efficiently achieve reasonable financial goals for retirement.
- B. To provide education to participants to help them build portfolios that maximize the probability of achieving their investment goals.
- C. To administer the Plans in an efficient manner, such that participants are able to monitor their individual portfolios and make suitable adjustments in a timely manner.
- D. To provide competitive investment options in major asset classes at a reasonable cost.
- E. To establish criteria and procedures for the ongoing evaluation of the investments offered, which are consistent with prudent investment management and participants' needs for diverse investment options.
- F. To establish procedures for the selection, evaluation, review, and elimination of fund options and the Board's expectations regarding each fund option.

### III. ADMINISTRATION

As of January 1, 2001, SoonerSave is administered in a primarily “unbundled” arrangement with one vendor providing recordkeeping, communications, and education. Investment services may be provided by the vendor or by other investment firms.

### IV. INVESTMENT OPTIONS

Responsibility for the number, types, and status of individual investment options rests with the OPERS Board of Trustees. In general, the Board will seek to provide a sufficient number of investment options to provide participants the ability to construct diversified portfolios consistent with their individual investment objectives, risk tolerance, and cost preference. The Board will seek to avoid offering extraneous and redundant investment options. The selection and elimination of investment options will be guided by the following philosophies and principles:

- A. The menu of core investment options will be sufficient to provide each participant with the ability to construct a diversified portfolio consistent with each participant’s investment objective, risk tolerance, and cost preference. (See *Appendix 1* for a classification of the current offerings.) The menu will include at least one offering in each of the following asset categories:
  - Cash Equivalents
  - Fixed Income
  - Balanced
  - Domestic Large Cap Equity
  - Domestic Small and Mid Cap Equity
  - International Equity
- B. The investment options will consist of publicly traded mutual funds, collective trust funds, separate accounts, and/or any other vehicle the Board deems appropriate to gain the desired asset class exposure. Within certain asset classes, the Board will seek to provide, as appropriate, both domestic and international investment options and both active and passive (indexed) options.
- C. Each investment option should represent a distinct class of assets; however, within the domestic equity categories, the offerings may represent style subsets (e.g. value, growth, large cap, and small cap) of the broad market. To the extent practicable, the Board will avoid offering investment options whose investment style and portfolio focus overlaps.
- D. The investment options may include funds that offer pre-determined asset allocations consistent with their respective investment goals or time horizons. This would include “target date” funds that offer investments over a diversified range of asset classes based on a future date, and which may automatically rebalance to become more conservative as the target date approaches. A balanced fund shall be offered and will serve as the SoonerSave Plan’s default investment option.

Participants may request to have additional investment options added to the SoonerSave investment line-up. The request must be made in writing to the Director of Defined Contribution Plans and specify the investment name, the rationale for inclusion and any supporting documents such as prospectus or performance data. The Director will forward the request to the OPERS Board of Trustees for consideration during the performance review of the investments.

#### E. Cash Equivalents Asset Class Investment Options

##### 1. Stable Value Fund

###### a. Account Structure

This core investment option will be offered in a separate account with the vendor as investment manager and custodian. Assets in the account are not commingled with the assets of any other entity. The vendor has the authority to buy and sell any U.S. government and Agency securities in this separate account under this policy it judges to be in the best long-term interest of the separate account and the participants that utilize the account. The vendor will manage the assets in the account with the same care and prudence that it would exercise with its own assets and to act as a fiduciary regarding the management of the assets invested by the Plan in the separate account. The portfolio will be prudently diversified by the Vendor to protect against sector and security specific risks.

###### b. Investment Objectives

Within the parameters as stated below, the objectives of the account are to:

- (a) Earn a competitive rate of return consistent with the types of investments allowed;
- (b) Provide sufficient liquidity to provide for participant redemptions;
- (c) Provide returns with relatively low variability.

###### c. Benchmark Index

The market value performance of the Stable Value Account will be compared to the market value performance of five-year Treasury notes, on a constant maturity basis. Yield levels are expected to exceed that of the two-year Constant Maturity Treasury.

d. Credit Quality and Diversification Guidelines

The portfolio will be comprised of obligations of the United States government and agencies thereof. The portfolio will be prudently diversified by the Vendor to protect against sector and security specific risks. No one individual security, excluding U.S. Treasuries, will comprise over five percent of the portfolio at market value.

e. Types of Investments

Subject to the Quality and Diversification Guidelines, the Vendor may invest the assets of the Stable Value Account in any or all of the following:

- (1) United States Treasury securities including Treasury bills, notes, bonds, and strips;
- (2) United States agency or Government Sponsored Entity (GSE) securities.
- (3) Mortgage-backed securities issued by GNMA, FNMA, FHLMC, FHLB, VA Vendee, or other U.S. Government agencies as approved by OPERS;
- (4) Collateralized mortgage obligations (CMOs) secured by GNMA, FNMA, FHLMC, FHLB, VA Vendee, or other U.S. Government agencies as approved by OPERS.
- (5) Repurchase agreements fully collateralized by the U.S Government, U.S. Agency, or GSE securities.
- (6) U.S. money market mutual funds subject to ERISA rule 2a-7 or have comparable quality, diversification, and liquidity restrictions.

f. Short-Term Investments

All money received by the vendor for deposit to the Stable Value Account will be invested the same day it is received. Whenever possible, these monies will be invested in the investments stated above. However, if the monies are received at a time of the day which makes this impractical, then the monies will be invested in fully collateralized repurchase agreements or an interest-bearing account at a commercial bank. All money deposited into these banks must be 100 percent guaranteed by the FDIC. The following business day the money will then be invested according to the above guidelines.

g. Prohibited Transactions

IOs, POs, residuals, inverse floater, and other like mortgage instruments are not permitted. In all situations, any interest earned on money received for deposit

into the separate account will be credited to the separate account and not to the Vendor.

h. Duration of Investments

The portfolio's average duration will have a normal range of two to five years.

i. Rates

The vendor sets the rate to be credited to participant accounts. This credited rate to participants may differ from the rate earned on the total assets in the account.

j. Reporting

(1) On a quarterly basis, the vendor will provide a statement to the Board showing the market value of each security, the sector diversification within the portfolio, and the duration, quality and yield of the portfolio. This statement will also compare the market value of the portfolio to the amount required to satisfy the withdrawal of all participant accounts. The vendor will also report on any loans made by the General Account to the Stable Value Account.

(2) On a quarterly basis, the vendor will provide to the Board a book value statement showing the book value of the total portfolio and describing the methodology and assumptions used to reset the crediting rate of the Stable Value Account. On a quarterly basis the Vendor will provide a statement of compliance with this Statement of Investment Policy for the period covered by the report signed by the portfolio manager and a principal of the firm.

(3) Annually, a senior representative of the vendor will be expected to meet with the Board and provide a verbal and written review of investment decisions. The underlying investment rationale and expected future implication of investment decisions will also be provided, as will the timing and amounts of contribution and withdrawal activity. The current and all past crediting rates will be shown compared to current and past two year constant maturity treasury yields as maintained by the Federal Reserve.

k. Trading Authority

Within the Investment Guidelines as stated above in this document, the Vendor has the authority to buy and sell any securities in this separate account that it judges to be in the best long-term interests of the separate account and the participants that utilize the account.

1. Competing Funds

Upon approval by the Board, there may be restrictions placed on transfers in and out of the Stable Value Fund from competing funds. For the Stable Value Fund, a “competing fund” is defined as any investment option in the asset class designated as “cash equivalents” as set forth in Appendix 1 of these Guidelines.

m. Changes to Investment Guidelines

The Guidelines (including duration) for investment of assets of the Stable Value Account may be modified provided that such change follows the purposes and objectives of the Stable Value Option and that no such change shall be made without prior notification to Vendor.

F. Self-Directed Brokerage Investment Option

1. The Board has no responsibility to review the funds available and offered to participants in this option or to determine the appropriate investment choices for participants selecting this option. The Board further has no responsibility to determine if the selection of the self-directed brokerage option is appropriate for any participant.
2. The self-directed brokerage option is designed for knowledgeable investors, and any participant selecting this option will agree to the following:
  - (a) The participant understands and accepts all risks associated with this selection;
  - (b) The participant understands and accepts that none of the mutual funds available in the self-directed brokerage option have been reviewed for suitability by the Board;
  - (c) The participant is solely responsible for determining the suitability or appropriateness of any selected investment or fund; and
  - (d) The participant agrees to hold the Plan and the Board harmless against any claims, damages, or other causes of actions which may arise because of any negative consequences resulting from use of the self-directed brokerage option.
3. This option may be offered, at the Board’s discretion, to participants in the Deferred Compensation Plan and/or the Deferred Savings Incentive Plan in the form of a self-directed brokerage investment for the selection of additional funds. This investment option is not considered to be one of the core investment options selected by the Board.
4. The minimum investment in this option is \$1,000 per investment. Participants must also maintain at least \$2,500 in assets invested in the core investment options for each SoonerSave Plan in which they also participate in this option.



5. Participants selecting this option will be assessed an additional quarterly fee.

## V. INVESTMENT OPTION STATUS & PROCEDURES

The OPERS Board of Trustees will designate the status of each investment option offered. Each offering will have a status of either:

- **Open** – Eligible for new investments, or
- **Closed** – Not eligible for new investments; soon to be eliminated and/or replaced by the Board

Offerings eliminated because of performance or suitability as determined by the Board will be assigned a “Closed” status. A replacement option may be an existing option or a new option selected by the Board. Participant deferrals and/or contributions directed to “Closed” options shall be re-directed to the selected replacement option or to another option as determined by the Board. Participant balances in “Closed” options will remain invested until it is administratively feasible to redirect them to the selected replacement option or to another option as determined by the Board.

## VI. SELECTION OF INVESTMENT OPTIONS

If new or replacement options are desired, the OPERS Board of Trustees will establish general criteria. The System’s investment consultant will work with the System’s staff to develop other specific search parameters. In selecting a new or replacement option, the Board will normally rely upon:

- A. Discipline in maintaining low divergence of the fund to the stated fund objective or investment management style.
- B. Skill, expertise, and stability of the investment professionals (manager tenure) and the organization providing the investment service.
- C. Reasonable costs including the expense ratio and sales fees.
- D. Recommendation of the System’s staff and investment consultant.

Fund options are selected from the universe of funds through a comprehensive search process normally conducted by the System’s investment consultant. Once the initial screening has occurred, options are further analyzed based on criteria that includes, but is not limited to: short and long term performance as compared to peer group average and benchmarks, risk/return measurements, industry ratings (such as Morningstar) and the recordkeeper’s ability to provide the recordkeeping services for the proposed fund.

## VII. PERFORMANCE REVIEWS

The OPERS Board of Trustees will periodically (at least annually) review and evaluate the success of SoonerSave's progress toward its objectives in the areas of Plan administration, communications, education, and investment performance. The investment performance review will include comparisons against the appropriate benchmark indices and peer groups over relevant time frames. The focus of the review will be to ensure that the Board is offering investment options with competitive (average or above) performance within each category over reasonable measurement periods, typically encompassing a market cycle (3 to 10 years). The Board will also review the risks taken to achieve the results and the option's investment style relative to its mandate, in addition to the stability of the personnel responsible for investment results. If the investment options are mutual funds, the Board may rely on the investment consultant's recommendations along with ratings produced by mutual fund evaluation services such as Morningstar to evaluate long-term risk-adjusted performance relative to peers. For performance benchmarks on current offerings [see *Appendix I*].

The Board has developed the following policies with respect to reviewing any Fund associated with SoonerSave.

- A. Investment options within the plans will be reviewed by the staff and the consultant once per year. The staff and consultant will make a recommendation to the Board based on the criteria outlined above.
- B. Funds that have performed within expectations shall be retained by the Board. Funds that have performed outside of expectations, fail the criteria listed in sections VI and VII above, or at the discretion of the Board may be placed on "watch list" or eliminated.
- C. Funds that were on the "watch list" that recover in a subsequent fund evaluation may be removed from the "watch list" and retained by the Board.
- D. Funds that are on the "watch list" after 2 consecutive years may be placed in the "Closed" status and replacement fund(s) will be chosen by the Board pursuant to Section V and VI of this policy.
- E. Additionally, failure by a fund to comply with these policy objectives and guidelines will be cause for the Board to reexamine that fund's continuing appropriateness for the SoonerSave program.
- F. The Board retains the right to waive any of the above policies if it deems that such waiver is in the best interest of SoonerSave and/or its participants.

## VIII. PROXY VOTING POLICY

### A. Overview

The Board believes that mutual fund proxies are important assets of SoonerSave. OPERS recognizes that certain proposals, if implemented, may have a substantial impact on SoonerSave participant shareholders. OPERS shall exercise its shareholder rights by voting proxies solely in the interests of the Plan participants. This policy sets forth general guidelines on key areas of corporate governance. The OPERS Board directs the staff to use the Proxy Policy as a guide in voting mutual fund proxies.

### B. Purpose

The purpose of the OPERS Proxy Policy is to (1) articulate the Program's position on important areas in corporate governance, (2) provide guidance and direction to staff to vote on individual proxy issues on behalf of the Plan, and (3) establish roles and responsibilities for the maintenance of proxy policy and the administration of proxy voting.

### C. Objective

The objective of this policy is to enhance the long-term value of the participants' investments by encouraging management to act in the shareholders' best interest, and to protect shareholder rights. A further objective is to promote corporate accountability, transparency and responsibility as essential elements of corporate governance designed to increase long-term shareholder value.

### D. Roles and Responsibilities

1. Board of Trustees - The Board of Trustees shall have the responsibility for approving the Proxy Policy as well as reviewing the Proxy Policy on a regular basis to determine if modifications are necessary.
2. Staff - The OPERS Staff shall monitor compliance with the Policy in this document. Staff shall evaluate proposals for modifications as needed, make recommendations for consideration by the Board, and periodically receive reports of votes cast.
3. Executive Director - The Executive Director shall work with the Board of Trustees to establish the overall policy. The Executive Director shall establish appropriate proxy voting procedures to support and implement the Policy and coordinate such procedures to support and implement the Policy.

The Executive Director shall vote proxy ballots in a timely manner according to OPERS established Policy, and administer and maintain records of proxy votes. The Executive Director shall vote proxies under voting instructions created from OPERS' Proxy Voting Policy.

Last, the Executive Director shall review research and vote recommendations on each mutual fund proxy vote cast in fulfilling the fiduciary duty of the OPERS Board of Trustees to cast proxy votes in the interests of shareholders and therefore, its participants.

#### E. Process

1. Case-by-Case – The Executive Director will work with a proxy advisory service to research proxy issues. The Executive Director will consult with the OPERS Defined Contribution Plans Director and Chief Investment Officer on each proxy issue or vote, to get their respective recommendations. The Executive Director may cast a vote after consultation with these staff members, if it follows the recommendation of the proxy advisory service. If after consultation with the staff members, the Executive Director wants to vote contrary to the recommendation of the proxy advisory service, the matter shall be taken to the Board of Trustees at its next meeting. If the vote must be cast prior to the next Board meeting, the Executive Director shall consult with the Chairman of the Board of Trustees. The Chairman will decide whether a special or emergency meeting of the Board should be called to address the issue. If the Chairman does not schedule a special or emergency meeting, the Executive Director may vote the proxy but shall report to the Board and explain why the recommendation of the proxy advisory service was not followed.
2. Missed Votes and Votes Inconsistent with Policy – Should OPERS miss a voting deadline due to an operational issue or unforeseen circumstance, the Board will be provided with a report of any missed votes at the next regularly scheduled Board meeting, along with an analysis of the reason(s), and a discussion of the corrective action taken.

#### F. Reporting and Compliance

The following reports shall be provided to the Board:

1. Case-By-Case Issues (As Needed) - Reports of case-by-case issues, OPERS voting position, and supporting rationale shall be provided at the next regularly scheduled Board meeting following the casting of such votes.
2. Missed Votes or Non-Conforming Votes (As Needed) - Reports of missed votes or non-conforming votes shall be provided at the next regularly scheduled Board meeting following the voting deadline or the casting of such votes.
3. Summary Report (Annually) - A report summarizing compliance with the proxy policy shall be provided annually to the Board.

#### G. General Guidelines

OPERS will support measures to increase Board independence and to promote disclosure, including but not limited to fees and expenses, fund holdings, commissions paid to brokers, soft dollar services, and turnover of key personnel.

**APPENDIX 1**  
**SoonerSave Investment Options by Investment Category**

<b><u>Asset Class</u></b>	<b><u>Sector</u></b>	<b><u>Benchmark</u></b>
<b>Cash</b>	Stable Value	2-year Constant Maturity Treasury Yield
<b>Fixed Income</b>	Multi-sector Bond Index	Bloomberg Barclays Capital U.S. Aggregate Bond Index
	High Yield Bond	Merrill Lynch High Yield Master II Index
<b>Balanced</b>	Indexed Balanced	50% S&P 500/40% Bloomberg Barclays Capital U.S. Aggregate Bond Index/10% MSCI EAFE
<b>Large Cap US Equities</b>	Large Cap Value	Russell 1000 Value Index
	Large Cap Growth	Russell 1000 Growth Index
	S&P 500 Index	S&P 500 Index
<b>Mid Cap US Equities</b>	Mid Cap Growth	Russell Mid Cap Growth Index
	Mid Cap Value	Russell Mid Cap Value Index
<b>Total U.S. Market</b>	Total U.S. Market Index	Wilshire 5000 Index
<b>Small Cap US Equities</b>	Small Cap Value	Russell 2000 Value Index
	Small Cap Growth	Russell 2000 Growth Index
	Small Cap Index	Russell 2000 Index
<b>International Equities</b>	International Stock	MSCI EAFE Index
	Emerging Markets	MSCI Emerging Markets Index
	ACWI ex-US Index	MSCI ACWI ex-US Index
<b>Target Date Funds</b>	Target Retirement Income (formerly the 2010 Fund)	Target Retirement Income Composite
	2020 Fund	Dow Jones Target 2020 Index
	2030 Fund	Dow Jones Target 2030 Index
	2040 Fund	Dow Jones Target 2040 Index
	2050 Fund	Dow Jones Target 2050 Index
	2060 Fund	Dow Jones Target 2060 Index

