

THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

**REQUEST FOR PROPOSAL**

**#515-23-002**

**SOONERSAVE AND PATHFINDER RECORDKEEPING SERVICES**

The Board of Trustees of the Oklahoma Public Employees Retirement System (“OPERS” or “System”) is issuing this Request for Proposal to find a qualified firm to provide recordkeeping services for the System’s defined contribution plans on a contractual basis. OPERS administers two defined contribution plans, the SoonerSave Plan and the Pathfinder Plan. Both defined contribution plans consist of a 457 and 401(a) component. The purpose of this Request for Proposal (RFP) is to provide information about OPERS, SoonerSave, and Pathfinder and establish the specifications and requirements for submitting a proposal. The term “Vendor” as used in this RFP shall mean the company, firm or individual submitting proposals for consideration.

OPERS reserves the right to reject any or all proposals submitted. There is no express or implied obligation for OPERS to reimburse Vendors for any expenses incurred in preparing proposals in response to this RFP. If none of the proposals are satisfactory to OPERS, no selection will be made. Proposals submitted in response to the RFP become the property of OPERS and are subject to public inspection. OPERS reserves the right to modify the RFP contents and requirements at any time prior to the submission deadline.

This Request for Proposals is comprised of ten (10) sections, four (4) exhibits, and fifty-six (56) pages total, as follows:

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This RFP can be found on the OPERS website at [www.opers.ok.gov](http://www.opers.ok.gov). If you are unable to download this document from the website, you can also obtain an electronic copy of this RFP through e-mail. Send your request to: [llundy@opers.ok.gov](mailto:llundy@opers.ok.gov). Include the name of the RFP and the proposal number in your request. All responses to this RFP must be submitted in accordance with the instructions contained in the RFP.

Regardless of the way the RFP document is received by the Vendor, the contents of the RFP may not be altered in any way. The Vendor's Affidavit and all questions must be identically reproduced in the submitted proposal. Any alterations to the contents of the RFP document will be grounds for dismissal from consideration or termination of a resulting contract. By submitting an RFP, it is agreed by the Vendor that any misleading or false information given may be grounds for dismissal from consideration, or termination of any resulting contract, whenever, and however discovered.

# I. PROPOSAL COVER SHEET

(must be signed, notarized and returned)

Proposal Number	Agency Requisition Number	Proposal Deadline
<b>515-23-002</b> (SoonerSave and Pathfinder Recordkeeping Services)	<b>515-23-002</b>	must be received by <b>January 11, 2023</b>

**Vendor Identification:**

Name of Firm:	_____
FEI #	_____
Address:	_____
	_____
City/State/Zip Code:	_____
Telephone Number:	_____
Facsimile Number:	_____
Email of contact	_____

### VENDOR'S AFFIDAVIT

STATE OF \_\_\_\_\_ )

) SS:

COUNTY OF \_\_\_\_\_ )

\_\_\_\_\_ (Print Name), of lawful age, being first duly sworn, on oath says that:

1. (S)he is the duly authorized agent of \_\_\_\_\_, the vendor submitting this proposal which is attached to this statement for the purpose of certifying the facts pertaining to the existence of collusion among vendors and between vendors and state officials or employees, as well as facts pertaining to the giving or offering of things of value to government personnel in return for special consideration in the letting of any contract pursuant to the proposal to which this statement is attached;
2. (S)he is fully aware of the facts and circumstances surrounding the making and submitting of this proposal and has been personally and directly involved in the proceedings leading to the submission of such proposals; and
3. Neither the vendor nor anyone subject to the vendor's direction or control has been a party: a) to any collusion among vendors in restraint of freedom of competition by agreement to propose a fixed price or to refrain from submitting a proposal; b) to any collusion with any state official or employee as to quantity, quality or price in the prospective contract, or as to any other term of such prospective contract; nor, c) in any discussions between vendors and any state official concerning exchange of money or any other thing of value for special consideration in the award of this prospective contract; d) to paying, giving or donating or agreeing to pay, give or donate to any officer or employee of the State of Oklahoma, any money or other thing of value, either directly or indirectly, in procuring this prospective contract.
4. The information contained in this proposal is true, correct and accurate as presented.

\_\_\_\_\_  
Name/Title

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

\_\_\_\_\_  
Notary Public (seal)

My commission expires: \_\_\_\_\_

## II. MANDATORY REQUIREMENTS FOR SUBMITTING A PROPOSAL (PLEASE READ CAREFULLY)

A. Proposals must be submitted digitally via upload at the link below and received by the deadline:

<https://files.opers.ok.gov/filedrop/SoonerSave-Pathfinder-Recordkeeping-Services-RFP>

- B. The deadline for receipt of proposals is **4:30 p.m.** Central Time, on **January 11, 2023**. Incomplete or incorrectly submitted proposals or proposals received after this date and time will be rejected and will not be considered.
- C. The Original Proposal must contain the Proposal Cover Sheet, fully completed, signed and notarized along with the applicable affidavit(s). Instructions on how to access the secure Dropbox folder along with instructions for uploading proposals can be found at <https://files.opers.ok.gov/filedrop/SoonerSave-Pathfinder-Recordkeeping-Services-RFP>. All submission should be in .pdf file format. Do not Zip or otherwise compress the files submitted. The submissions should not include links to other documents outside of the files submitted.
- D. All timely proposals become the property of OPERS.
- E. All proposals, once opened, are considered to be public record and shall be available for viewing and reproduction by any person.
- F. In submitting this proposal, the Vendor must agree to an audit which provides that books, records, documents, accounting procedures, practices or any other items of the Vendor relevant to the proposal or the services provided there under, are subject to examination by the System, the Oklahoma State Auditor and Inspector, and the State Purchasing Director.
- G. In an effort to clarify any issues in this RFP, OPERS will respond only to questions that are presented through e-mail by the submission deadline specified below. Questions should be submitted to Lindsie Lundy at [LLundy@opers.ok.gov](mailto:LLundy@opers.ok.gov). All questions and answers will be consolidated into a single Q&A document and posted to the site <https://www.opers.ok.gov/SoonerSave-Pathfinder-Recordkeeping-Services-RFP>.  
  
All questions must be received by **4:30 p.m.** Central Time on **December 16, 2022**. The Q&A document will be posted on the OPERS website above on or after **December 21, 2022**. This will be the only distribution method for the Q&A document.
- H. It is the responsibility of the Vendor to ensure compliance with all requirements and deadlines. Proposals that are not in compliance with the RFP requirements may be rejected. All proposals will be reviewed to determine if they satisfy the mandatory criteria in this RFP. Proposals not satisfying the mandatory criteria will be rejected.
- I. All costs of preparation and presentation associated with responding to this RFP will be the responsibility of the Vendor. Vendors may be asked to make a presentation before the Board if selected as a finalist. None of the costs associated with this presentation will be reimbursed by OPERS.

- J. The selection of certain investment-related vendors for the state retirement systems is specifically exempt from the competitive bidding procedures established by Oklahoma Statutes (see 74 Oklahoma Statutes §85.7). OPERS reserves the right to request additional information from any vendor and to accept or reject any proposal without specifying the reason for its actions. OPERS reserves the right to request additional proposals. OPERS reserves the right to renegotiate for lower fees at any time with any Vendor.
- K. The Board reserves the right to award all, part, or none of this contract.
- L. The Vendor shall be bound by the information and representations contained in any proposal submitted. The proposal is deemed to be a binding offer on the part of the Vendor.
- M. Submission of a proposal in response to this RFP evidences the Vendor's acceptance of the terms and conditions contained within the RFP.
- N. OPERS prohibits the payment of a finder's fee in any form. The Vendor must certify that no finder's fee or finder's commission has been paid or shall be paid to any individual or organization from the establishment of this investment relationship with OPERS.
- O. All Vendors must:
  - 1. Acknowledge and agree to be a fiduciary to the plan pursuant to Section 909.2 of Title 74 of the Oklahoma Statutes.
  - 2. Agree that any resulting recordkeeping contract and any agreements associated with providing the requested services will be subject to and interpreted by Oklahoma law.
  - 3. Agree that this RFP and the Vendor's response will be incorporated by reference to any resulting agreement(s).
  - 4. Answer, to the best of its abilities, all questions in this RFP in a succinct manner and in the order presented. Do not add appendices to the end of this document unless specifically asked to do so. Please assume the term "current" herein refers to June 30, 2022 unless otherwise noted.
  - 5. Fully disclose any proposed subcontracting of any of the required services.
  - 6. Applicants should note, in accordance with HB 3967, 2020 Legislative Session, and 74 O.S. Section 582, effective November 1, 2020, the State of Oklahoma shall not enter into a contract with any Company to acquire or dispose of good or services in excess of one-hundred thousand dollars (\$100,000.00), unless such Company submits a written certification that such Individual or Company is not currently engaged in a Boycott of Israel.
  - 7. Applicants should note, in accordance with HB 2034, 2022 Legislative Session, and 74 O.S. Section 12005, effective November 1, 2022, the State of Oklahoma shall not enter into a contract with any financial company for one-hundred thousand dollars (\$100,000.00) or more unless the contract contains a written verification from the company that it does not boycott energy companies.

- P. Vendor must have previous experience in administering large IRC Section 457 Plans with participation of over 20,000 members per plan for at least three State and/or local governments.
- Q. The Vendor shall have the ability to record keep the current SoonerSave and Pathfinder investment lineups (see Section IX).
- R. The vendor shall answer, to the best of its abilities, all questions pertaining to the product being bid in Section VIII.
- S. Vendors should have substantial experience performing services described in this RFP.

### **III. SCOPE OF ASSIGNMENT**

The Vendor chosen will provide recordkeeping services for OPERS' two Defined Contribution Plans. The recordkeeper works directly with OPERS' staff, specifically the Defined Contribution division lead by the Benefit Administrator. The recordkeeper will also make reports to OPERS Administration, the Investment Committee and Board of Trustees not less than annually.

Recordkeeping services shall include, but are not limited to the following:

- A. Create and maintain individual accounts for SoonerSave and Pathfinder participants. Including deposits of payroll contributions, facilitation of investment transactions and processing withdrawal requests.
- B. Provide participants the ability to access account information and perform account transactions through the Internet, mobile application, and telephone.
- C. Provide a consolidated participant statement no less often than quarterly. Statements should include information related to account balances, transactions, investment holdings and performance.
- D. Provide all income tax reporting for the Plans and participants to the Internal Revenue Service and applicable state and local municipalities, as required by law.
- E. Fulfill the minimum reporting requirements required by OPERS, including monthly, quarterly, and annual financial and transactional reports for SoonerSave and Pathfinder.
- F. Provide beneficiary recordkeeping service for both SoonerSave and Pathfinder.
- G. Work with OPERS' staff to develop processes and procedures for the Pathfinder 401(a) plan vesting schedule. Including maintaining a forfeiture account for unvested funds.
- H. Must be able to accept digital payroll files and wire transfers as part of the payroll contribution process.
- I. Provide educational services and materials to plan participants through in person meetings, online options, and print materials.

- J. Provide current and historical performance information on all investment options available in SoonerSave or Pathfinder.
- K. Must be able to accommodate the recordkeeping and, if necessary, the Master Custodianship of a single separate account (consisting of U.S. mid cap growth equities) managed by Robert W. Baird & Co. that is unitized for participant use as an investment option contained in the Plans.

#### **IV. BACKGROUND INFORMATION**

##### **A. Legal Authorization**

The Board of Trustees of the Oklahoma Public Employees Retirement System (OPERS) is charged with the administration of two defined contribution plans – the SoonerSave plan and the Pathfinder plan. Total assets in both defined contribution plans were approximately \$1.25 billion as of September 30, 2022. The statutory provisions generally related to SoonerSave are set forth in Sections 1701 et seq., of Title 74 of the Oklahoma Statutes. The statutory provisions generally related to Pathfinder are set forth in Sections 935.1 et seq., of Title 74 of the Oklahoma Statutes.

##### **B. Board Composition**

OPERS is administered by a Board of Trustees composed of 14 members including a member of the Corporation Commission or the Commission’s designee selected by the Corporation Commission, the Director of Human Capital Management of the Office of Management and Enterprise Services, the State Insurance Commissioner or the Commissioner’s designee, the Director of the Office of Management and Enterprise Services or the Director’s designee, a member of the Oklahoma Tax Commission selected by the Tax Commission, the State Treasurer or the Treasurer’s designee, three members appointed by the Governor, one member appointed by the Supreme Court, two members appointed by the Speaker of the House of Representatives, and two members appointed by the President Pro Tempore of the State Senate.

##### **C. OPERS**

OPERS has an authorized staff of 63 employees. The Executive Director is the chief administrative officer of OPERS.

##### **D. Plan Administration**

SoonerSave is a voluntary supplemental retirement plan available to public employees who participate in a defined benefit plan. As a voluntary plan, employees elect to participate by completing an enrollment form indicating a deferral amount and investment selection. SoonerSave participants are also members of one of the State of Oklahoma’s Defined Benefit Plans; Oklahoma Public Employees Retirement System, Uniform Retirement System for Justices and Judges, Oklahoma Teachers Retirement System, Oklahoma Law Enforcement Retirement System. Asset and Participant numbers are included in the table below.

September 30, 2022	TOTAL ASSETS	CONTRIBUTING EMPLOYEES	TOTAL # OF ACCOUNTS
SoonerSave 457	\$852,084,369	15,463	30,220
SoonerSave 401(a)	\$225,464,327	15,463	31,327

Pathfinder opened to contributions in November 2015 as the sole retirement option for most new employees of the State of Oklahoma. Participants are statutorily required to contribute 4.5% of salary to the Pathfinder 401(a) Plan and will receive either a 6% or 7% match from their employer to the same plan. Employees vest in the employer contributions to the 401(a) plan over a 5-year period. The employee is allowed to make additional voluntary contributions, up to the IRS annual limit, to the Pathfinder 457 plan. Asset and Participant numbers are included in the table below.

September 30, 2022	TOTAL ASSETS	CONTRIBUTING EMPLOYEES	TOTAL # OF ACCOUNTS
Pathfinder 401(a)	\$171,378,949	11,177	16,638
Pathfinder 457	\$25,318,813	5,308	7,401

Employee contributions to the SoonerSave and Pathfinder 457 plans are made on a pre-tax basis. The System has proposed administrative rules to add a Roth contribution option to both.

E. Investment Products

SoonerSave and Pathfinder are currently administered in an un-bundled arrangement with Empower providing the recordkeeping for all investment options. Participants are offered funds managed by various fund families and a Stable Value Fund currently managed by Empower. Each Plan’s investment options are selected by the OPERS Board of Trustees in accordance with the Investment Policy. Each plan also includes a Self-Directed Brokerage window administered through TD Ameritrade.

F. Plan Communication and Education

Plan communication includes the strategy, development, and distribution of information to current and potential SoonerSave and Pathfinder participants. The Board’s objective is broad-based participation. Long-term enrollment goals include ensuring that all eligible employees have knowledge about SoonerSave and Pathfinder and are provided the educational tools to encourage and maximize their participation.

OPERS is responsible for communicating the benefits of SoonerSave and Pathfinder to all eligible employees. OPERS must approve the philosophy and approach used by the selected Vendor. All publishing rights for material developed by the Vendor for SoonerSave and Pathfinder are retained by OPERS. All materials (letters, brochures, posters, etc.) must be approved by OPERS prior to distribution to employees and employers.

OPERS has worked with a prior and the current Vendor to develop a logo and customized look for SoonerSave and Pathfinder, including the custom web addresses [soonersave.com](http://soonersave.com) and [okpathfinder.com](http://okpathfinder.com). Vendors will be required to develop a customized communication and investment education campaign using the current look for the Plans



G. New Enrollments and Changes

1. SoonerSave

SoonerSave enrollment is facilitated when a participant completes an enrollment form and submits it to the OPERS administrative office where staff uses the information provided on the form to create the participant’s account with the recordkeeper.

Deferral amount changes are made through the SoonerSave website or by calling the recordkeeper’s client service center. These changes are downloaded weekly by OPERS staff and any changes are forwarded to the participant’s payroll department so they can be made effective the following month.

Participants make beneficiary and personal information updates through the SoonerSave websites

2. Pathfinder

Pathfinder enrollment is done through the State’s payroll system (Workday) at the time of hire. The account with the recordkeeper is created when the new employee is included for the first time in the payroll file. Deferral changes in the 457 plan are made using the Pathfinder website and updated with the state’s payroll department through a file transfer from the recordkeeper on the first of each month.

Participants make beneficiary updates through the Pathfinder website. Personal information of active participants is updated through the weekly payroll file, terminated employees update their information using the Pathfinder website.

H. Employee Deferrals

Payroll is processed for approximately 200 agencies through a central payroll system. Although State employees are paid on a monthly or bi-weekly basis, payroll data is processed weekly. OPERS downloads the employee payroll data files and reviews for accuracy.

An electronic file, containing the necessary employee data for the processed payrolls for each plan, is uploaded to the recordkeeper’s database on a weekly basis. Funds for the deferrals are wire transferred to the recordkeeper’s account and are received by the recordkeeper the same day the information is uploaded into their database. Deferrals are posted on the same business day that funds are received by the recordkeeper. The total employee deferrals for the previous fiscal year are listed in the table below:

	FY 2022 PAYROLL CONTRIBUTIONS
SoonerSave 457 Plan	\$30,589,920
SoonerSave 401(a) Plan	\$4,850,810
Pathfinder 401(a) Plan	\$50,526,880
Pathfinder 457 Plan	\$8,585,175

I. Distributions

SoonerSave participants initiate a distribution by contacting the recordkeeper’s contact center to request the appropriate paperwork, complete the form, and return it for processing. Distributions are available 31 days after termination. OPERS staff reviews and approves Hardship payments from the 457 Plan.

Pathfinder participants initiate distributions either through the Pathfinder website or by contacting the recordkeeper’s contact center and requesting the appropriate paperwork. After the paperwork is submitted or the online process is completed, the request posts to a “To-Do list” on the recordkeeper’s web portal for OPERS to review, provide vesting and approve the payment. Distributions are available 45 days after termination. The recordkeeper reviews and approves any Hardship payments from the Pathfinder 457 plan.

J. Qualified Domestic Relations Orders (QDROs)

The recordkeeper is expected to process QDRO submissions for Pathfinder participants.

**V. TIMELINE**

The following timeline is an estimate and may be adjusted at OPERS discretion any time during this selection process.

Distribution of RFP	November 29, 2022
Deadline for questions submitted in writing via e-mail (no later than 4:30 p.m. CST)	December 16, 2022
Date for posting answers to questions	December 21, 2022
Proposals due (no later than 4:30 p.m. CST)	January 11, 2023
Finalist presentation (if necessary)	February 16, 2023
Award business (date contingent on final negotiations)	February 16, 2023
Contract start date	July 1, 2023

**VI. COMMUNICATIONS WITH OPERS**

In an effort to clarify any issues in this RFP, OPERS will respond only to questions that are presented as described in Section II(G) above. Vendors are responsible for checking the website periodically for updates to the RFP. Telephone questions will not be accepted.

OPERS policy prohibits direct contact between prospective service providers and OPERS Board members, consultants, or staff during this RFP process. This does not include communication with any of OPERS’ incumbent service providers for normal business not related to this selection process. From the date of release of this RFP until a Vendor is selected and a contract is executed and approved, all contacts and communications regarding this RFP are restricted to the Q&A process. Exceptions include communications with the OPERS staff member identified in Section II(G) and OPERS staff members who are designated to conduct negotiations, participate in presentations, and contract award and execution, while they are engaged in those activities. Violation of these conditions may result in rejection of a Vendor’s proposal.

Vendors who have submitted a proposal will not necessarily be notified of the Board’s decision after the final selection has been made. The announcement of the preferred Vendor, if any, may

be the only form of communication between the System and the Vendors. Telephone or other inquiries concerning this proposal after the proposal deadline are discouraged.

## **VII. GENERAL TERMS AND CONDITIONS**

### **A. Applicable Laws and Courts**

This solicitation and any resulting contract shall be governed in all respects by the laws of the State of Oklahoma, and any litigation with respect thereto shall be brought in the District Court of Oklahoma County, Oklahoma. The Vendor shall comply with all applicable federal, state and local laws, rules and regulations.

### **B. Ethics in Public Contracting**

By submitting their bids or proposals, Vendors certify that their bids/proposals are made without collusion or fraud and that they have not offered or received any kickbacks or inducements from any other Vendor, supplier, manufacturer or subcontractor in connection with their bid/proposal, and that they have not conferred on any public employee having official responsibility for this procurement transaction any payment, loan, subscription, advance, deposit of money, services or anything of value, in exchange for procuring this contract.

### **C. Qualifications of Vendors**

OPERS may make such reasonable investigations as deemed proper and necessary to determine the ability of the Vendor to perform the services/furnish the goods, and the Vendor shall furnish to OPERS all such information and data for this purpose as may be requested. OPERS reserves the right to make a site visit at the offices of the Vendor prior to award to satisfy questions regarding the Vendor's capabilities. OPERS further reserves the right to reject any proposal if the evidence submitted by, or investigations of, such Vendor show that the Vendor is not properly qualified to carry out the obligations of the contract and to provide the services and/or furnish the goods contemplated therein.

### **D. Business Continuity**

The Vendor must indicate any recent or anticipated changes in its corporate structure such as mergers, acquisitions, new venture capital, stock issue, etc. The Vendor agrees to present to OPERS a business continuation plan for the services provided in this contract in the event of a natural or other disaster.

### **E. Assignment of Contract**

The contract shall not be assignable by the Vendor in whole or in part without the written consent of OPERS.

### **F. Period of Contract**

It is anticipated that the initial contract shall begin on July 1, 2023. Thereafter, the contract may be renewed by the Board annually for up to four additional one-year contract periods, at

the Board’s discretion. The Board of Trustees reserves the right to terminate the contract upon 30 days notice, with or without cause.

G. Ownership of Data and Work Product

There is a presumption that all work product generated for OPERS under this contract, as well as all data compiled by the Vendor while performing this contract, shall become the sole property of OPERS. OPERS must be given reasonable access to all such work product or data compiled by the Vendor in the performance of this contract.

H. Limitation of Liability, Hold Harmless Clauses & Indemnity

**The State of Oklahoma and its agencies are constitutionally barred from limiting the liability of a private Vendor. Agencies are similarly prohibited from holding a private entity harmless from liability or providing indemnity to a private entity. The contract between the successful Vendor and OPERS will not have any such terms.**

**VIII. QUESTIONNAIRE**

The Vendor’s proposal must include a written response to each question or statement. The response should reflect the Vendor’s understanding of the stated requirements, the procedure used to ensure the requirements will be met and the Vendor’s qualifications and experience in providing the required services.

**ORGANIZATION**

1. Provide the name, title, address, e-mail address, telephone and fax number of the individual responsible for responding to this request.
2. Provide a brief overview of your company and history of your organization including an organizational chart of your retirement plan recordkeeping operations. Describe any parent/subsidiary/ affiliate relationships. Are you currently participating in any alliances or joint marketing efforts? If so, describe in detail.
3. Indicate how many years your company has been active in the defined contribution business, i.e., 457, 401(a), etc. (Indicate the period of time for each service, if different, such as investment management for X years, recordkeeping for Y years, trustee services for Z years).
4. Indicate the total value of assets in all defined contribution plans for which you provide recordkeeping services. What is the total number of participants in all defined contribution plans for which you provide recordkeeping services?
5. How many defined contribution plans do you currently administer in the following categories:

# OF PLAN PARTICIPANTS	# OF PLANS UNDER ADMINISTRATION
Under 100	
100-499	
500-999	

1,000-4,999	
Over 5,000	
Total Plans Under Administration	

6. Provide a breakdown of the number of clients you service by plan type as a percentage of your total business:

TYPE OF PLAN	# OF PLANS UNDER ADMINISTRATION
Profit Sharing	
401(k)	
Money Purchase	
Thrift Savings	
Combination	
403(b)	
457*	

In addition, provide three references for clients who employ your firm on the services that you are bidding. Preference should be given to other 457 plans of similar size to SoonerSave and Pathfinder combined

#### **CLIENT SERVICE**

7. List the team members that would directly deal with OPERS staff: (a)during the transition and (b)on an ongoing basis. Include a brief bio for the key members of your proposed team.
8. For each of the last five years, show the number of plans gained and the number lost, and the respective values for each.

December 31 year end	# of Plans Gained	# of Plans Lost	# of Plans Total
2017			
2018			
2019			
2020			
2021			

In addition, list all clients who have left your firm (recordkeeping services) and the reason for departure over the last five years. What is your average client duration for recordkeeping services?

9. Describe your procedures for monitoring client satisfaction and participant satisfaction. What are the areas in which you believe your firm could improve?
10. What are your service/timing standards? Do you guarantee service performance? If so, describe.

## **RECORDKEEPING/ADMINISTRATION**

11. Describe the valuation methods offered by your system. Describe the method of maintaining plan sponsor history and participant history on your system.
12. What methods of data transmission to and from OPERS would be available?
13. Describe how your system processes transfers/exchanges (including frequency limitations). Are confirmations sent?
14. Describe your process and methods of reallocation from a participant's perspective (percent and/or dollar).
15. Can your recordkeeping system track multiple money sources within each plan?
16. What checks and balances do you have in place to ensure transactional integrity?
17. What other administrative services do you provide?
18. What system enhancements do you have planned over the next three years for your recordkeeping system?
19. Describe your documented disaster recovery plan. How often do you test your recovery system? Also describe your maintenance and backup procedures including daily backups, retention timetable and off-site backup storage approach. Where are your off-site backup facilities located?
20. Describe your processes used to ensure the integrity of your systems and protect participants from cyber-security related risks.

## **PLAN COMMUNICATION AND INVESTMENT EDUCATION**

21. Provide a concise written narrative describing the philosophy and approach that will be used to communicate SoonerSave and Pathfinder. The response should address the challenges and proposed solutions to communicating to a geographically dispersed population. Include in your response samples of literature, forms, video presentation, etc. that will be used to communicate SoonerSave and Pathfinder to eligible employees.
22. What is your experience in providing communication services to Section 457 plans. Provide detail on plan size and complexity for which you provide such services.
23. Describe the approach that will be used to provide investment education to employees and the procedure that will be followed to monitor this service to ensure education only, and not investment advice, is provided. The approach should include the Vendor's method to reach participants in group settings and one-on-one settings.
24. Provide detail of the methods that would be used to provide investment education (e.g., software programs, videos, group presentations). Include detail as to how you have used these in the past and the effectiveness of each approach.

25. Pathfinder has approximately 5,300 participants currently making deferrals to the 457 Plan out of a universe of 11,200 eligible employees. Participants that contribute at least 2.5% of their salary to the 457 receive an additional 1% in matching contributions. Describe your approach to increasing the active participation rate in the Pathfinder 457 plan. Give details on how your company would encourage these participants to increase their contributions.

**DEFERRALS AND CONTRIBUTIONS**

26. Provide detail of the accounting and recordkeeping procedure that will be used to credit employee deferrals and employer contributions to participant accounts. Describe your ability to post incoming amounts to participant accounts on the same business day the amounts are received.
27. Provide detail on Vendor’s ability to receive contribution and deferral data over the Internet, or other electronic media and the security to protect said data.
28. Provide detail on your company’s ability to accept and record keep rollover amounts into the four Plans, including Roth money types.

**DISTRIBUTIONS**

OPERS authorizes all distributions from SoonerSave. The distribution options include lump sum, partial lump sum, and periodic payouts on an annual, semi-annual, quarterly, or monthly schedule. Participants also have the option to rollover their account to a qualified plan as allowed by the IRS. All distributions are subject to Internal Revenue Regulations. SoonerSave contains a hardship provision as allowed by IRC Section 457. Decisions regarding release of funds under the hardship provision are made by OPERS. Complete the following table on processing distributions:

<b>Distribution Type</b>	<b>Ability to process per OPERS instructions (yes/no)</b>	<b>Days to issue payment upon receipt of authorized request</b>
Periodic Payment (monthly, annual, quarterly, semi-annual. annual)		
Full distribution (lump sum)		
Hardship Distribution		

**MONTHLY ADMINISTRATIVE REPORTING**

29. Describe your recordkeeping systems flexibility and company’s approach to providing customized reports, which are not normally part of the monthly plan reporting.
30. Describe your ability to record keep employer contributions, employee pre-tax deferrals, employee pre- and post-tax contributions, and rollover contributions.

31. The Pathfinder 401(a) Plan has a 5-year vesting period, based on actual days of employment with unique breaks in service rules, for Employer contributions. Describe your ability to record keep the Pathfinder 401(a) plan's vesting requirements.

### **PARTICIPANT SERVICES**

32. Provide detail as to the process that will be used to produce participant statements. Include information regarding the procedure for reconciling or verifying account information prior to producing statements, proposed timeframe for distributing statements, and a sample participant statement format. Are interim statements available from your recordkeeping system?
33. Explain your automated telephone system (VRU) features in detail. Include information regarding the following:
- a. The number of participants currently able to access the system.
  - b. The specific features of the system as well as the information and transactions that is available to participants. How are transactions processed? How are transactions documented? Are confirmations sent? Are there any transactions that cannot be processed through the voice response system?
  - c. Information regarding the system's security features. Describe how data is secured within your system (i.e. PIN, audit trail, confirmations).
  - d. The percentage of time it is off-line or otherwise unavailable to participants.
  - e. The system's capacity. What are the standard hours of operation? Does it include a help information menu? How often is the data on the VRU updated?
  - f. Information on flexibility in regard to customized messaging on the VRU.
  - g. Information on optioning out of the system to talk with a representative.
  - h. Future improvements or enhancements that are anticipated to this system over the next three years.
34. Provide details on your web-based (website, mobile application) access to account information:
- a. Describe the account services and transaction capabilities available through your participant website.
  - b. How are website transactions processed and documented?
  - c. Are there any transactions that cannot be processed through your website or app?
  - d. Describe how data is secured within your system (i.e. PIN, audit trail, confirmations).
  - e. Describe the level of customization available for clients using your web-based services.
  - f. What are the standard hours of account access and transactional availability?
  - g. If a participant elects to move from the website to a call center service representative, describe the interface between the website and the service representative.
  - h. How often is the data on the website updated? How does the website interface with the recordkeeping system?
  - i. Is participant investment information downloadable into individual software programs like Quicken or Money?
  - j. Does your website allow for integration with outside financial accounts? If so, what types of accounts?



35. Identify your call center toll-free service center standards. Include for each of the past two calendar-year quarters, statistics related to actual performance on: number of calls; average length of calls; average response time; percentage of calls requiring follow up; call abort rate; percentage of incoming calls handled via VRU; and, percentage of incoming calls handled via internet website.
36. What training is provided to toll-free service center reps before they are allowed to handle incoming calls? Do your service center reps handle just one plan or numerous plans?
37. Do you monitor and/or record calls to your call centers? If so, would SoonerSave/Pathfinder participant calls be available for review by appropriate OPERS staff?
38. Describe any technology and advancements the Vendor has in place or is developing that will enhance the services provided to participants or OPERS.

### **TRANSITION PROCEDURES**

39. Describe in detail the steps that would be taken to ensure a smooth transition from the current recordkeeper. Include in your response the time frame required and the length of any proposed blackout period.
40. Provide a detailed description and history of similar plan conversions performed and references for which services were provided. List all state 457 plans that you have as current clients and which of these were transitioned to your firm over the past five years.
41. In the event of the termination of the contract, describe the Vendor's capabilities in providing information to a new Vendor, including time frames and additional fees that may be assessed.

### **REGULATORY SERVICES**

42. Describe the type of legal support included in your proposal and any fees that apply.
43. What steps has your company taken to be in compliance with the Department of Labor's 408(b)(2) regulation (the provider fee disclosure)? Provide any sample documents that your company has developed regarding the regulation.
44. How do you keep Plan Sponsors informed and updated on any regulatory and legislative changes?
45. How will you ensure that our plans remain in compliance?
46. How do you ensure that your recordkeeping system is in compliance with all regulations?
47. Describe any pending litigation, within the past five years, relating to the services that your firm is proposing.
48. Are internal controls of your recordkeeping system audited by an independent accounting firm on an annual or more frequent basis? If so, provide a copy of the most recent audit report.

## **ADDITIONAL SERVICES**

OPERS offers plan participants a self-directed mutual fund brokerage option that provides access to publicly traded mutual funds outside those offered in SoonerSave/Pathfinder. The current provider of this window is TD Ameritrade.

49. Does your firm offer a mutual fund window to allow investment in any publicly traded mutual fund? Can your firm continue the existing relationship with TD Ameritrade without any disruption in services to SoonerSave participants? If no, what company does your firm use for self-directed brokerage services?

OPERS currently offers commingled trusts funds and a unitized separate account in the SoonerSave and Pathfinder investment line-up.

50. Describe your firm's experience and ability in providing daily valuation and recordkeeping of commingled trust funds and separate account investments.
50. Does your firm have the ability to unitize pools of separate account portfolios managed by selected investment managers? Does your firm have the ability to calculate the NAV of these funds on a daily, weekly, or monthly basis? Can the calculated NAV for each of these funds be made available to plan participants in a timely manner?
51. Describe the challenges a unitized portfolio presents in terms of recordkeeping and communication to plan participants.
52. Is your firm able to reimburse participants for all fees associated with mutual fund "re-allowances" charged to participant accounts? Please detail that mechanism.

## **COMPLIANCE AND ETHICS**

53. What firm-wide policies and procedures does your firm have in place for establishing and maintaining an ethical environment?
54. State whether your firm employs a compliance officer. If so, what are the duties of the compliance officer? To whom does your compliance officer report?
55. If applicable, provide your written policy on the processes to keep employees' trading of securities independent from the processes for trading securities for clientele.
56. Detail how your firm ensures that a client's investment policies and guidelines are monitored. What systems does your firm have in place to monitor compliance?
57. Detail how your firm discourages excessive trading policies as it relates to mutual funds. Has your firm been reviewed by any regulatory agency in the past few years? If so, what were the findings?
58. Describe your firm's processes regarding proxy voting, where applicable.

## IX. INVESTMENT OPTIONS

No investment options are being solicited in this RFP. The Stable Value Fund option will be selected under a separate RFP. Investment option changes are not anticipated as a result of the award of this contract. Under our current recordkeeping contract, all fund re-allowances are returned to the participants.

SoonerSave currently offers the following investment options to their plan participants:

FIXED	
STABLE VALUE FUND	SEPARATE ACCOUNT
BOND	
T. ROWE PRICE INSTITUTIONAL HIGH YIELD	MUTUAL FUND
BNYM MELLON NSL AGGREGATE BOND INST.	COLLECTIVE TRUST
BALANCED	
VANGUARD BALANCED INDEX FUND – INSTL –(DEFAULT INVESTMENT FOR BOTH PLANS)	MUTUAL FUND
US LARGE CAP	
AMERICAN CENTURE DISCIPLINED CORE VALUE I	MUTUAL FUND
iSHARES S&P 500 INDEX FUND K	MUTUAL FUND
T. ROWE PRICE BLUE CHIP GROWTH FUND	MUTUAL FUND
T. ROWE PRICE TOTAL EQUITY MARKET INDEX FUND (SOONERSAVE)	MUTUAL FUND
US MID CAP	
VANGUARD SELECTED VALUE INVESTOR FUND	MUTUAL FUND
BAIRD MID CAP GROWTH SMA	SEPARATE ACCOUNT
US SMALL CAP	
BLACKROCK ADVANTAGE SMALL CAP GROWTH FUND INST	MUTUAL FUND
JANUS HENDERSON SMALL CAP VALUE FUND N	MUTUAL FUND
BNYM MELLON NSL SMALL CAP STOCK INST	COLLECTIVE TRUST
INTERNATIONAL	
AMERICAN FUNDS EUROPACIFIC GROWTH FUND A	MUTUAL FUND
T. ROWE PRICE EMERGING MARKETS STOCK FUND	MUTUAL FUND
BNYM MELLON NSL ACWI ex-US INST.	COLLECTIVE TRUST
ASSET ALLOCATION	
VANGUARD TARGET RETIREMENT 2020 TRUST II	COLLECTIVE TRUST
VANGUARD TARGET RETIREMENT 2030 TRUST II	COLLECTIVE TRUST
VANGUARD TARGET RETIREMENT 2040 TRUST II	COLLECTIVE TRUST
VANGUARD TARGET RETIREMENT 2050 TRUST II	COLLECTIVE TRUST
VANGUARD TARGET RETIREMENT 2060 TRUST II	COLLECTIVE TRUST
VANGUARD TARGET RETIREMENT INCOME TRUST II (SOONERSAVE)	COLLECTIVE TRUST
BROKERAGE	
T.D. AMERITRADE	

**X. FEE PROPOSAL**

Detail and disclose all fees that will be associated with providing the services in which the Vendor is bidding on under this contract. Recordkeeping fees must be expressed as an annual charge per participant. Your fee proposal should include information on the following issues (if applicable): reallowances you will receive from investment firms managing SoonerSave and Pathfinder investments that are not directly reimbursed to participants; start-up/ conversion costs and the termination costs; and, if you offer an investment alliance relationship, identify any “offset” to expenses.

The Board will not consider soft dollar arrangements. All rebates from other service providers must be disclosed.

Summarize your Fee Proposal by completing the Table below:

	If also awarded the assignment of managing the Stable Value Investment Option*	Without the assignment of managing the Stable Value Investment Option
State your annual per participant charge <u>quoted in dollars</u> for recordkeeping, i.e. providing all services as specified in this RFP.		
State your annual charge required from Stable Value portfolio <u>quoted in basis points</u> for recordkeeping, i.e. providing all services as specified in this RFP.		
<i>*The Stable Value Investment Option services provider will be selected based on responses to a separate RFP that is anticipated to be available on the OPERS website 11/29/2022.</i>		

Explain in detail any other charges not reflected above.

Exhibit A. **SoonerSave Financial Statements and Schedule of Accounts**

**SOONERSAVE 457**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**(Unaudited)**

	<b>SEPTEMBER 30,</b>	
	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 32,873	\$ 45,949
<b>INVESTMENTS:</b>		
Stable Value Fund	256,611,567	254,990,217
<b>Mutual Funds</b>		
Bond fund	20,131,738	24,955,234
Balanced fund	41,295,804	50,359,148
Large-Cap equity funds	248,707,506	362,459,674
Mid-Cap equity funds	99,250,208	146,743,751
Small-Cap equity funds	36,995,642	47,899,880
International equity funds	35,493,296	55,224,115
Target Date funds	93,124,140	113,126,723
Self-Directed Brokerage (mutual funds)	3,514,588	5,164,711
Total Mutual Funds	578,512,922	805,933,236
<b>Common Trust Funds</b>		
Bond fund	14,141,223	17,550,485
Small-Cap equity fund	1,627,938	1,879,230
International equity fund	1,154,405	1,295,026
Total Common Trust Funds	16,923,566	20,724,741
Annuity Contracts	36,313	39,604
Total Investments	852,084,369	1,081,687,798
Total Assets	852,117,241	1,081,733,747
<b>Liabilities</b>		
Other Liabilities	32,873	45,949
Net position available for plan benefits	\$ 852,084,369	\$ 1,081,687,798

**SOONERSAVE 457**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**(Unaudited)**

	For the quarter ended September 30,	
	2022	2021
ADDITIONS:		
Contributions:		
Participants	\$ 5,810,020	\$ 6,561,560
Plan to Plan transfers in	43,377	-
Total contributions	5,853,398	6,561,560
Investment income:		
Net appreciation (depreciation) in fair value of investments	(31,165,733)	(8,258,655)
Interest and dividends	1,866,069	1,910,175
Total investment income (loss)	(29,299,664)	(6,348,480)
Total additions	(23,446,266)	213,080
DEDUCTIONS:		
Benefits paid to participants	15,883,954	16,692,155
Administrative fees	100,585	30,239
Total deductions	15,984,539	16,722,394
Net increase (decrease)	(39,430,805)	(16,509,314)
Net position available for plan benefits		
Beginning of period	891,515,174	1,098,197,112
End of period	\$ 852,084,369	\$ 1,081,687,798

	9/30/2022	9/30/2021
Active Participants	15,463	16,708
Retired or Inactive Participants	14,757	14,702
Total Participants	30,220	31,410

**SOONERSAVE 401(a)**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**(Unaudited)**

	SEPTEMBER 30,	
	2022	2021
Cash and cash equivalents	\$ 547,710	\$ 599,868
 INVESTMENTS:		
Stable Value Fund	69,869,785	72,243,850
 Mutual Funds		
Bond fund	5,117,959	6,415,742
Balanced fund	10,069,258	12,085,002
Large-Cap equity funds	62,933,764	90,489,677
Mid-Cap equity funds	29,493,248	44,776,336
Small-Cap equity funds	8,673,361	10,962,006
International equity funds	9,107,856	14,206,344
Target Date funds	26,444,083	32,861,017
Total Mutual Funds	151,839,530	211,796,124
 Common Trust Funds		
Bond fund	2,931,211	3,924,039
Small-Cap equity fund	426,975	302,006
International equity fund	394,714	290,338
Total Common Trust Funds	3,752,900	4,516,383
 Total Investments		
	225,462,216	288,556,357
 Total Assets		
	226,009,925	289,156,225
 Liabilities		
Other Liabilities	545,598	597,757
Net position available for plan benefits	\$ 225,464,327	\$ 288,558,468

**SOONERSAVE 401(a)**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**(Unaudited)**

	For the quarter ended September 30,	
	2022	2021
ADDITIONS:		
Contributions:		
Participants	\$ 906,146	\$ 1,063,643
Plan to Plan transfers in	1,305,342	826,901
Total contributions	2,211,488	1,890,543
Investment income:		
Net appreciation (depreciation) in fair value of investments	(8,063,316)	(2,194,318)
Interest and dividends	473,476	494,337
Total investment income (loss)	(7,589,840)	(1,699,981)
Total additions	(5,378,352)	190,562
DEDUCTIONS:		
Benefits paid to participants	4,178,999	4,060,719
Administrative fees	(26,848)	(48,598)
Total deductions	4,152,151	4,012,121
Net increase (decrease)	(9,530,503)	(3,821,559)
Net position available for plan benefits		
Beginning of period	234,994,830	292,380,027
End of period	\$ 225,464,327	\$ 288,558,468

	9/30/2022	9/30/2021
Active Participants	15,463	16,708
Retired or Inactive Participants	15,864	15,651
Total Participants	31,327	32,359



Exhibit B. **Pathfinder Financial Statements and Schedule of Accounts**

**PATHFINDER 401(a)**  
**STATEMENT OF FIDUCIARY NET POSITION**  
(unaudited)

	SEPTEMBER 30,	
	2022	2021
Cash and cash equivalents	\$ 11,684,201	\$ 8,224,955
<b>INVESTMENTS:</b>		
Stable Value Fund	1,275,946.44	517,539.31
<b>Mutual Funds</b>		
Bond fund	273,426	243,463
Balanced fund	153,227,694	145,693,277
Large-Cap equity funds	5,699,636	5,974,772
Mid-Cap equity funds	902,527	889,564
Small-Cap equity funds	820,756	892,604
International equity funds	597,985	714,536
Target Date funds	7,507,574	7,732,167
Self-Directed Brokerage (mutual funds)	238,484	193,386
<b>Total Mutual Funds</b>	169,268,084	162,333,768
<b>Common Trust Funds</b>		
Bond fund	235,690	267,972
Small-Cap equity fund	371,103	373,841
International equity fund	228,126	241,358
<b>Total Common Trust Funds</b>	834,919	883,172
<b>Total Investments</b>	171,378,949	163,734,479
<b>Total Assets</b>	183,063,150	171,959,434
<b>Liabilities</b>		
OPERS administrative reimbursement		
collections in excess or remittances	138,712	224,673
Other payables	11,545,489	8,000,282
<b>Net position available for plan benefits</b>	\$ 171,378,949	\$ 163,734,479

**PATHFINDER 401(a)**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**(Unaudited)**

	For the quarter ended September 30,	
	2022	2021
<b>ADDITIONS:</b>		
Contributions:		
Participants	\$ 4,966,201	\$ 4,161,131
Employers	7,067,082	5,996,183
Plan to Plan transfers	930,388.55	343,729.10
	12,963,671.85	10,501,043.25
Investment income:		
Net appreciation (depreciation) in fair value of investments	(9,289,938)	(875,670)
Interest and dividends	801,648.45	528,903.12
Total investment income (loss)	(8,488,289)	(346,767)
Total additions	4,475,382	10,154,276
<b>DEDUCTIONS:</b>		
Benefits paid to participants	3,981,136	3,513,798
Administrative fees	126,350	105,278
Total deductions	4,107,486	3,619,076
Net increase (decrease)	367,897	6,535,201
Net position available for plan benefits		
Beginning of period	171,011,053	157,199,279
End of period	\$ 171,378,949	\$ 163,734,479

	9/30/2022	9/30/2021
Active Participants	15,463	16,708
Retired or Inactive Participants	14,757	14,702
Total Participants	30,220	31,410

**PATHFINDER 457**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**(Unaudited)**

	<b>SEPTEMBER 30,</b>	
	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 280	\$ 229
<b>INVESTMENTS:</b>		
Stable Value Fund	502,205	218,102
<b>Mutual Funds</b>		
Bond fund	69,906	63,208
Balanced fund	19,042,035	17,031,849
Large-Cap equity funds	1,897,136	1,980,910
Mid-Cap equity funds	332,911	213,540
Small-Cap equity funds	244,243	252,946
International equity funds	262,069	317,065
Target Date funds	2,571,418	2,292,420
Self-Directed Brokerage (mutual funds)	46,700	38,457
<b>Total Mutual Funds</b>	<b>24,466,418</b>	<b>22,190,396</b>
<b>Common Trust Funds</b>		
Bond fund	71,261	137,641
Small-Cap equity fund	142,879	142,689
International equity fund	136,050	128,251
<b>Total Common Trust Funds</b>	<b>350,191</b>	<b>408,581</b>
<b>Total Investments</b>	<b>25,318,813</b>	<b>22,817,078</b>
<b>Total Assets</b>	<b>25,319,093</b>	<b>22,817,307</b>
<b>Liabilities</b>		
OPERS administrative reimbursement		
collections in excess or remittances	259	217
Other payables	21	12
<b>Net position available for plan benefits</b>	<b>\$ 25,318,813</b>	<b>\$ 22,817,078</b>

**PATHFINDER 457**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
(Unaudited)

	For the quarter ended September 30,	
	2022	2021
ADDITIONS:		
Contributions:		
Participants	\$ 2,034,312	\$ 1,643,454
Plan to Plan transfers in	9,181	4,094
Total contributions	2,043,493	1,647,549
Investment income:		
Net appreciation (depreciation) in fair value of investments	(1,408,318)	(152,444)
Interest and dividends	106,167	64,980
Total investment income (loss)	(1,302,150)	(87,464)
Total additions	741,342	1,560,085
DEDUCTIONS:		
Benefits paid to participants	358,187	365,490
Administrative fees	317	(72)
Total deductions	358,504	365,418
Net increase (decrease)	382,838	1,194,667
Net position available for plan benefits		
Beginning of period	24,935,975	21,622,411
End of period	\$ 25,318,813	\$ 22,817,078

	9/30/2022	9/30/2021
Active Participants	5,308	4,470
Retired or Inactive Participants	2,093	1,683
Total Participants	7,401	6,153

SOONERSAVE

INVESTMENT POLICIES AND GUIDELINES

**Effective July 21, 2022**

SOONERSAVE

## INVESTMENT POLICIES AND GUIDELINES

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# 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.

l. 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

# OPERS DEFINED CONTRIBUTION (DC) SYSTEM (PATHFINDER PLAN)

## INVESTMENT POLICIES AND GUIDELINES

Effective July 21, 2022

# OPERS DEFINED CONTRIBUTION (DC) SYSTEM (PATHFINDER PLAN)

## INVESTMENT POLICIES AND GUIDELINES

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# **OPERS DEFINED CONTRIBUTION (DC) SYSTEM (PATHFINDER PLAN)**

## **INVESTMENT POLICIES AND GUIDELINES**

### **I. INTRODUCTION**

OPERS Defined Contribution (DC) System (Pathfinder Plan) is a department of the Oklahoma Public Employees Retirement System and is comprised of two retirement savings plans – the 401(a) plan and the 457(b) plan. Both plans are tax-deferred savings plans that allow employees to contribute a portion of their salary into the Plan. Taxes on salary deferrals and earnings are deferred until the money is withdrawn. The mandatory contribution from employees shall be directed to the 401(a) plan. All matching contributions by employers shall be directed to the 401(a) plan as well. Any voluntary employee contribution above the mandatory contribution level shall be directed to the 457(b) plan.

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 maximizes 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

The OPERS Defined Contribution (DC) System (Pathfinder Plan) 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. The fees associated with services provided within the plan shall be paid by the participants of the plan.

### 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/or 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 Pathfinder Plan's default investment option.

Participants may request to have additional investment options added to the Pathfinder Plan 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 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.

l. 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 401(a) Plan and/or the 457(b) 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 Pathfinder 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, as determined 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 the Pathfinder Plan'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 and 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 Pathfinder.

- 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 Pathfinder Plan 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 the Pathfinder Plan and/or its participants.

## **VIII. PROXY VOTING POLICY**

### **A. Overview**

The Board believes that mutual fund proxies are important assets of Pathfinder. OPERS recognizes that certain proposals, if implemented, may have a substantial impact on Pathfinder Plan 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 Director of Defined Contribution (DC) Plans 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

### *OPERS Defined Contribution (DC) System (Pathfinder Plan) 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>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>	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