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**OREGON  
STATE  
TREASURY**

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Owner Louise Howard:  
Senior Investment Officer Public Equity  
Policy Area Investments  
References OST Policy 4.07.02

## **INV 802: Deferred Compensation Investment Program: Selecting, Managing, Reporting, and Terminating Program Firms**

# **OREGON INVESTMENT COUNCIL POLICY INTRODUCTION & OVERVIEW**

## **Summary Policy Statement**

The Oregon Investment Council (OIC) may appoint and terminate investment managers in the Deferred Compensation Investment Program (the "Program") at its discretion. Accordingly, participating investment managers are retained by the OIC on an "at will" basis. Members of the Oregon State Treasury's Investment Division will provide Program reports to the OIC on a quarterly basis.

## **Purpose and Goals**

The goal of this policy is to describe the process of selecting, managing, reporting on and terminating managers in the Deferred Compensation Investment Program.

## **Applicability**

Classified represented, management service, unclassified executive service

## **Authority**

ORS Chapters 243 and 293.

# POLICY PROVISIONS

## Definitions

None.

## General Policy Statements

1. **Program Investments.** In order to accommodate daily cash movements and participant option transfers, Program investments will generally be comprised of mutual funds and commingled trusts with daily pricing and liquidity features.
2. Program options will be comprised of one or more investment funds, and the OIC will establish the percentage of each option that individual mutual funds and commingled trusts may comprise.
3. Over time, the percentages of various Program options comprised by individual mutual funds and commingled trust funds may vary due to investment return differences. At least annually, and by direction to his or her staff ("Staff"), the State Treasurer (as the State's designated Investment Officer), will rebalance the individual mutual funds and commingled trusts back to Program targets as specified by the OIC or as otherwise allowed under the Program.
4. **Selection of Investment Managers.** The selection of Program investment managers is reserved for the OIC, and will be based, *inter alia*, on the findings of appropriate due diligence as performed by Staff and related, qualified consultants. Staff, on behalf of the State Treasurer, will implement OIC selection decisions.
5. **Compensation of Firms.** Where applicable, Staff may negotiate investment management or performance-based fees. Staff may also negotiate fees for any additional services. Although Staff will otherwise avoid funds with revenue sharing provisions, revenue sharing rebates (if necessary) will be credited to the net asset value of the applicable Program option.
6. **General Oversight of Investment Managers and Investment Performance.** Staff will evaluate investment manager status, activity and performance. The OIC or State Treasurer may also engage independent consultants to assist in the investment manager oversight process.
7. **Program Monitoring.** Staff will monitor plan participant activity in each Program investment option. Staff will prepare quarterly reports concerning the Program that will include the following information:
  - a. **Program Profile** reports will list the value of assets held and the number of participants selecting each Program investment option. These reports will be based on information provided by the Plan Administrator; and
  - b. **Investment Performance** reports will list, relative to corresponding benchmark returns and net of all fees, costs, and administrative charges, performance for each Program investment option.
8. Staff may delegate some or all of the reporting duties in this policy to a consultant or other, qualified contractor.
9. These reports will be distributed to OIC members and to the Chief Investment Officer.

10. If, after eight (8) consecutive quarters, a Program investment option comprises less than three (3) percent of total plan assets, Staff may evaluate that option for possible termination. For purposes of a termination evaluation, Staff may rely upon Plan Administrator research and share its recommendations with the State Treasurer and OIC.
11. **Delegation.** Where Staff delegates to or otherwise engages subcontractors or other service providers to perform or assist with some or all of the foregoing Program monitoring responsibilities, such subcontractors or other service providers will act in a manner consistent with Program standards, including, but not limited to, the ability of Staff to terminate such delegation or engagement at its discretion.
12. **Appointment and Termination of Investment Managers.** Staff will act promptly and prudently to effect decisions by the OIC to appoint or terminate Program investment managers.

## Exceptions

None.

## Failure to Comply

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

None.

# PROCEDURES and FORMS

# ADMINISTRATION

## Feedback

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

## Approval Signatures

| Step Description | Approver                          | Date    |
|------------------|-----------------------------------|---------|
| OIC              | Rex Kim: Chief Investment Officer | 04/2021 |
|                  | Deena Bothello: General Counsel   | 04/2021 |

PolicyStat Admin

Carmen Leiva: Operations  
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11/2020

Michael Viteri: Senior Public  
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