

RADFORD UNIVERSITY

Policy Title: Investment of Employee Benefit Funds Policy	Effective Date: 4/23/2021
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Oversight Department: Office of the Vice President for Finance and Administration	Next Review Date: 4/1/2024

1. PURPOSE

The *Investment of Employee Benefit Funds Policy* for Radford University (University) provides policy direction and procedural guidelines for the selection, management, and ongoing monitoring of investment options with respect to the employee benefit plan. The policy includes strategic objectives and a framework that promotes investment oversight and administration of the employment benefit plan including the following:

- Establishes the roles and responsibilities of the Retirement Administrative Committee (Committee) as investment fiduciary and the Investment Consultant/Advisor who assists in the fulfillment of the Committee's duties;
- Identifies appropriate investment asset classes for inclusion in the menu of investment options;
- Establishes a prudent process for selecting appropriate investment options to be made available for participant direction;
- Designates an investment option to which all assets will be directed in the absence of a positive election by a participant or beneficiary, which will either serve as the default or Qualified Default Investment Alternative;
- Establishes a prudent process by which selected investment options generally will be monitored for compliance with this policy; and
- Develops methods for adding new investment options and for replacing existing investment options that do not comply with the terms of this policy.

2. APPLICABILITY

The *Investment of Employee Benefit Funds Policy* applies to the Retirement Administrative Committee (Committee), Investment Consultant/Advisor, and to the employee benefit plan identified in Supplement A of the Retirement Administrative Committee Charter (see Appendix).

3. DEFINITIONS

Asset Allocation: These investments, like balanced funds, attempt to provide participants with a broadly diversified collection of stocks, bonds and money market securities, among other investment asset classes. Each manager commonly specifies either a risk-based strategy (e.g. “aggressive”, “moderate”, or “conservative”) or a target date (e.g. 2030, 2040, 2050, etc.) that drives the proportionate, or strategic, allocation it follows. Each manager will have its own restrictions, disclosed in its prospectus or other appropriate governing document, which will define the ranges it may allocate to any given investment or asset class.

Domestic Equity: These investments generally invest the bulk of their assets in ownership (“equity”) securities, or stocks of companies whose headquarters and/or primary business is in the United States. Investments in this category vary both in their objectives (e.g. current income versus long term capital appreciation) and in the types of equity securities they specialize in. Some investments in this category focus on small capitalization or medium capitalization companies versus large capitalization companies. Some funds tend to look for companies whose earnings, or perceived value, are growing at faster rates than other companies (e.g. “growth”) while others focus their investments on companies who for various reasons may be selling for less than the manager believes is its real worth (e.g. “value”).

Fixed Income: These investments generally invest the bulk of their assets in the fixed income, or “bond” markets. Investments in this category vary in terms of the duration of their primary holdings (short term, intermediate term or long term), in the quality of the issuers of their holdings (government to corporate issuers of varying quality), and in the origin of their issuance (issued within or outside of the US bond market).

International Equity: These investments generally invest the bulk of their assets in ownership (“equity”) securities, or stocks of companies whose headquarters and/or primary business is outside of the United States. Investments in this category also include regionally focused managers that specialize in a particular part of the world, global managers that can invest in both US and international markets, and emerging market managers that concentrate their investments in markets that are less mature than the world’s developed markets and so may provide opportunities for rapid growth. It is also generally true that higher growth opportunities are tempered significantly by higher risk for loss of capital, at least over shorter terms. Historically international markets have moved in very different cycles than their domestic counterparts.

Money Market: Money Market options (Treasury/Government/Prime) are investment options whose primary objective is safety of principal. Money Markets invest in high quality, short-term securities (full principal and interest within 397 days) in an attempt to mitigate interest rate and credit risk. Money Market options are often structured to maintain a \$1.00/share Net Asset Value (NAV), but it is not guaranteed that they will meet this objective.

Prudence: The standard is the “prudent person” standard, except as may otherwise be prescribed by applicable laws or regulations now or in the future. Under the “prudent person” standard, investments shall be made with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Specialty: These investments generally invest the bulk of their assets in ownership (“equity”) securities, or stocks of companies in a particular market segment. Historically investments focused on specialty securities have offered a significantly high risk for loss of capital, at least over shorter terms.

Stable Value: A Stable Value fund is a type of separately managed account, insurance separate account, or commingled trust investing in high quality, short to intermediate-term fixed income securities presenting minimal interest rate and credit risk. Unique accounting features allow for gain and loss amortization over a period of time, allowing management to invest in longer-term fixed income assets while mitigating NAV fluctuations. Stable Value funds are generally structured to maintain a \$1.00/share NAV but it is not guaranteed that they will meet this objective.

4. POLICY

- A.** The Board of Visitors for Radford University has overall responsibility with respect to the employee benefit plan sponsored by Radford University under this policy. The Board of Visitors has delegated oversight to the Vice President for Finance and Administration & Chief Financial Officer as Plan Administrator for the employee benefit plan under this policy.
- B.** The Board of Visitors has further delegated to the Retirement Administrative Committee (Committee) the authority and full responsibility for the prudent management of investments for the employee benefit plan under this policy.
- C.** The delegated authority above, and related responsibilities, are documented in this policy and in the Retirement Administrative Committee Charter (Charter – see Appendix). The employee benefit plan covered by this policy is listed in Supplement A of the Charter.
- D.** The Committee will review the investment options following the regimen outlined in the following procedures to:
 - 1.** assure offering of investment options commensurate with satisfaction of section 404(c) of ERISA and prudence requirements;
 - 2.** control the costs of administering the plan and managing investments;
 - 3.** pay for plan and investment consulting on a fee basis as opposed to a commission basis; and
 - 4.** provide plan participants with investment guidance to increase the probability of participants achieving favorable long-term investment results.
- E.** The Committee, officers, and employees involved in the investment process under this policy will refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions, or otherwise be in violation of state law and/or University policy. The Committee, officers, and employees subject to this policy will be required to file the State and Local Statement of Economic Interests per Code of Virginia § 2.2-3114 and Governor's Executive Order Eight (2018).
- F.** The Committee will discharge its fiduciary responsibilities with the assistance of an independent Investment Consultant/Advisor (see Section 5 below).

5. PROCEDURES

A. Investment Asset Classes

Each plan's investment menu is structured in accordance with modern portfolio theory, which holds that the asset allocation decisions among a broad range of investment alternatives is the most critical determinant of a portfolio's long-term success or failure. The Committee's goal is

to offer a core set of diversified investment options that represent a broad range of different asset classes with different risk and return characteristics. Each plan's investment menu may include, but is not limited to, options from the following broad asset classes: Capital Preservation; Fixed Income; Asset Allocation, including Balanced, Target Risk, Life Cycle, and/or Target Date; Domestic Equity; International Equity; and Specialty.

B. Investment Selection

Each plan is structured to offer participants and their beneficiaries a core set of reasonably priced investment options with different risk and return characteristics. Selection of these investment options is done in the context of each plan's administrative environment, which may impact the number, type, and cost of investment options available to the plan. The Committee may also consider the method and payment of plan expenses, which may be altered by investment-related decisions. The following screening criteria will be among those applied to the available actively managed options:

- 1. Fees:** All investment options must charge "reasonable" fees to investors. The expense ratio for a given investment should generally fall below the average expense ratio for the peer group. Exceptions may be made for investment options that the Committee feels may produce performance that would justify higher than average fees.
- 2. Style Consistency:** Since each investment option is chosen to fulfill a specific part of each plan's overall investment menu, investment options should have demonstrated a consistency in investment style and performance. Some variation may be allowed when an investment option's given style moves in and out of favor, or when an investment option's successful investments outgrow their initial investment classification.
- 3. Volatility and Diversification:** Unless chosen to deliver investment performance that is characteristic of a specific industry or sector of the investment spectrum, investment options generally will be broadly diversified portfolios and will avoid unreasonable overweighting in a given investment, industry or sector. Volatility, as measured by Standard Deviation of returns, should be within reasonable ranges for the given peer group. Other risk measures and ratios, including Sharpe ratio, information ratio and beta, may be used as well.
- 4. Performance:** With few exceptions, all actively managed investment options should rank in the top 50% of their given peer group for the 3- or 5-year annualized period at the time of their selection. While past performance is not indicative of future returns, peer-relative performance offers the Committee perspective on how the investment option has performed over a reasonably demonstrative period of time relative to other choices. In addition to performance, the Committee should consider other variables including (but not limited to) fees, investment style purity, and risk management practices, in order to develop a holistic view about a strategy and its appropriateness within each plan. Passively managed options do not need to meet the same ranking criteria; rather, measures such as tracking error to the stated benchmark are more important measures of performance for these options.
- 5. Management & Organization:** Manager tenure and industry experience are values to be emphasized, as is the strength and expertise of an investment option's sponsoring organization. Sponsoring organizations are generally expected to adhere to accepted standards of ethical practice and to comply with all appropriate securities regulations.

When necessary, preference will be given to investment management organizations with a proven commitment to the interests of long-term investors.

- 6. Additional Factors:** In addition to the above outlined factors, the Committee will also consider other factors, which may be less tangible, including fund specific situations and anomalies in the capital markets or in each plan's unique situation.

C. Investment Evaluation

Each investment option is expected to maintain a high level of acceptability. With the assistance of the Investment Consultant/Advisor, the Committee will monitor the investment options made available within each plan to ensure they remain compliant with the criteria used to initially select them for inclusion in each plan under this policy, or such other or additional criteria as appropriate. The Committee may consider the ranking of investment options relative to their peers using a comprehensive scoring system proprietary to the Investment Consultant/Advisor. The following criteria provide an outline for the evaluation process:

1. On a quarterly basis, each plan's Investment Consultant/Advisor will provide the Committee with a comprehensive report of each investment option's relevant performance and relative rankings against appropriate indexes, and within appropriate peer groups. The Investment Consultant/Advisor will review the report with the Committee at least annually, or more often as necessary and appropriate.
2. The Investment Consultant/Advisor will also communicate with the Committee on an ad hoc basis, as appropriate, concerning any material changes affecting any of the selected investment options. Material changes may include management changes, changes to the investment option's pricing structure or significant changes in the investment option's fundamental policies and procedures that the Investment Consultant/Advisor feels warrant Committee review.
3. The Committee normally will meet with the Investment Consultant/Advisor, at least annually, to evaluate each investment option as well as the overall status of this policy, if necessary.
4. If the Investment Consultant/Advisor's proprietary Scoring System indicates that a given investment option may no longer meet the appropriate and reasonable standards required to remain included in each plan's menu, the Committee will take appropriate steps.

D. Replacement of Selected Investment Options

Each plan is intended to provide opportunities for long-term asset accumulation for participants and beneficiaries. Accordingly, the expectation is neither the investment asset classes nor specific investment options will be changed or deleted frequently.

E. Investment Evaluation/Scoring System

The actively managed investment options will be evaluated relative to their peers using a comprehensive scoring system designed to serve as a *guide and an aid* to the Committee. . The scoring system is not intended to trigger an automatic and mandated outcome or investment decision for a given score. The scoring system is intended to serve as a tool to support sound fiduciary decisions that are in the sole interest of participants and beneficiaries.

F. Investment Consultant/Advisor Responsibilities

When engaged by the Committee, the responsibilities of the Investment Consultant/Advisor include:

1. Educating the Committee on issues concerning the selection of investment options for each plan.
2. Assisting in the analysis and initial selection of investment options to be made available for participant investment.
3. Assisting the Committee with the ongoing review of the investment universe made available within each plan's chosen administrative environment.
4. Assisting the Committee with the review of the performance of the selected investment options, on at least an annual basis, but more often a quarterly basis, in comparison to their stated objectives and their relative performance and pricing as compared to their peers and designated benchmarks.
5. Providing specific investment advice to the Committee with respect to each plan on a regular basis, pursuant to a mutual understanding with the Committee that the advice will serve as a primary basis for the Committee's investment decisions, and that the advice will be individualized based on the needs of each plan. Such advice may relate to the advisability of investing in, purchasing, holding, and selling securities or other property.
6. Assisting the Committee in the selection of additional or replacement investment options to be made available for participant investment.
7. Bringing information to the Committee, on an ad hoc basis as appropriate, that the Investment Consultant/Advisor feels may alter the Committee's assessment of a given investment option, asset class, or strategy.

6. EXCLUSIONS

None.

7. APPENDICES

Appendix: [Retirement Administrative Committee Charter](#)

8. REFERENCES

[Employee Retirement Income Security Act \(ERISA\)](#)

[Code of Virginia, § 2.2-3114](#), "Disclosure by state officers and employees."

[Executive Order Eight \(2018\)](#), Commonwealth of Virginia, Officer of the Governor

[Virginia Conflict of Interest and Ethics Advisory Council](#)

9. INTERPRETATION

The authority to interpret this policy rests with the President of the University and is generally delegated to the Vice President for Finance and Administration & Chief Financial Officer.

10. APPROVAL AND REVISIONS

The newly developed *Investment of Employee Benefit Funds Policy* was approved by the Radford University Board of Visitors on April 23, 2021. President Hemphill signed the policy on May 5, 2021.

For general information concerning University policies, contact the [Office of Policy and Tax Compliance](#) – (540) 831-5794. For questions or guidance on a specific policy, contact the Oversight Department referenced in the policy.