



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Schlossberg, Brown, Carlson, Barofsky and McRae
FROM: Bridget Otto, HR Supervisor and Deborah Hart, Chief Financial Officer
DATE: August 3, 2021
SUBJECT: EWEB Deferred Compensation Plan- Charter Update
OBJECTIVE: Information

Issue

EWEB management is recommending a minor update to the Charter of the EWEB Section 457 Deferred Compensation Plan. Additionally, an updated version of the Statement of Investment Policy (SIP) has been included to satisfy the requirement for periodic review by the Board.

Background

EWEB first established a deferred compensation plan in 1977. The plan was formed under Section 457 of the Internal Revenue Code and allows employees to voluntarily deposit a portion of their wages into the plan for investment purposes. Those investments may be withdrawn from the plan upon retirement or separation from service. The Plan Charter was last reviewed and updated by the Board in July of 2013.

Discussion

With the assistance of our Deferred Compensation Plan consultant, we have completed a review of the Charter of the EWEB Section 457 Deferred Compensation Plan and recommend a minor update to reflect current position titles related to the composition of the Deferred Compensation Committee. A redline version of the Charter is attached to these materials.

Established within the Charter, the Committee is tasked with periodically reviewing and updating the Statement of Investment Policy (SIP) and providing this information to the Board. The Committee recently reviewed and updated the attached SIP to reflect current industry standard language and the provide the ability for plan participants to invest in Target Date Funds.

Requested Board Action

There is no requested Board action at this time. Management will bring this back in September with a recommendation to approve a resolution updating the Charter of the EWEB Section 457 Deferred Compensation Plan Committee.

Statement of Investment Objective and Policy Guidelines for the EWEB 457 Deferred Compensation Plan (“Plan”)

Part I: The Plan

Eugene Water & Electric Board (“EWEB”) sponsors the 457 Deferred Compensation Plan (the “Plan”) for the benefit of its employees. The Plan is intended to provide eligible employees with the long-term accumulation of retirement savings through employee’s individual accounts and the earnings thereon.

The Plan is a qualified employee benefit plan intended to comply with all applicable federal laws and regulations, including the Internal Revenue Code of 1986, as amended. The Plan, being sponsored by a public sector entity, is not bound by the Employee Retirement Income Security Act (“ERISA”). The Plan intends to be consistent with its obligation under the Oregon Constitution and use ERISA, where applicable and prudent, as a guiding resource.

The EWEB Board of Commissioners (the “Board”) has established an EWEB 457 Deferred Compensation Plan Committee (the “Committee”) to oversee the administration of the Plan and the Plan’s investments. The Committee is responsible for implementing the provisions of this Statement of Investment Policy, either directly or through delegation to qualified service providers. For additional information on the Committee’s roles and responsibilities, refer to the Board approved Plan Committee Charter.

The Plan’s participants and beneficiaries (“Participants”) are expected to have different investment objectives, time horizons, and risk tolerances. To meet these varying investment needs, Participants will be permitted to direct their account balances among a number of “core” investment offerings (“Core Menu”) in order to construct prudently diversified portfolios of substantially different risk and return characteristics within the range normally appropriate for a person accumulating money for retirement. The Core Menu will consist of “Funds”: investment companies registered under the provisions of the Investment Company Act of 1940, and/or other similar vehicles subject to established trust indentures. In addition, or alternatively, Participants may select a Target Date Fund (as discussed in Part VI). Collectively, the Core Menu and Target Date Funds are referred to herein as “Investment Alternatives”.

~~The Plan’s participants and beneficiaries (“Participants”) are expected to have different investment objectives, time horizons, and risk tolerances. To meet these varying investment needs, Participants will be permitted to direct their account balances among a range of core investment offerings (Investment Alternatives) in order to construct prudently diversified portfolios of substantially different aggregate risk and return characteristics within the range normally appropriate for a Participant. Participants alone bear the risk associated with their selections. Investment Alternatives may consist of individual funding vehicles—investment companies registered under the provisions of the Investment Company Act of 1940, and/or other vehicles subject to established investment criteria.~~

Part II: The Purpose of this Statement

This Statement sets forth the process that the Board has adopted to make investment-related decisions with respect to assets of the Plan using the standards of fiduciary conduct prescribed in ERISA as a guide. It outlines the underlying investment philosophy of the Board and the specific processes utilized in the initial selection, monitoring, and evaluation of the Investment Manager and Designated Investment Alternatives offered in the Plan. More specifically, this Statement:

- Describes the Plan's investment goals and objectives
- Describes the roles of those responsible for the Plan's investments
- Describes the criteria and procedures for initially selecting Investment Managers
- Establishes investment procedures, measurement standards, and monitoring criteria for the ongoing evaluation of Investment Managers
- Describes corrective actions the Board may take should Investment Managers and investment options fail to satisfy the established objectives
- Describes when default investments will be utilized
- Describes how the Qualified Default Investment Alternative ("QDIA")- is/are selected.

~~This Statement is intended to assist the Plan's fiduciaries in making investment-related decisions in a prudent manner. It outlines the underlying philosophies and processes for the selection, monitoring and evaluation of the investments utilized by the Plan. Specifically, this Statement documents the decisions of the Committee defining:~~

- ~~The Plan's investment objectives~~
- ~~Roles and responsibilities of the Committee and the Investment Consultant~~
- ~~The criteria and procedures for selecting Investment Alternatives~~
- ~~The Plan's investment selection, monitoring processes and performance measurement standards.~~

Part III: Plan Investment and Structural Objectives

Implementation of the Plan's Investment Policy has as its objectives the following:

- Prudent investment management (as defined by ERISA Section 404(a)(1)) of Plan assets not subject to the control of a Participant.
- Access by Participants to Investment Alternatives whose returns are commensurate with the risk associated with their respective management style and asset class characterization.
- Competitive investment performance of each Investment Alternative relative to other similarly categorized investment vehicles.
- Reasonable expenses associated with the services necessitated by Plan investment management.
- Fulfillment of the requirements of the Department of Labor's Final Regulations Regarding Participant Directed Individual Account Plans (Section 404(c) Regs.) to achieve the liability protection from losses arising from the control by Participants of their Plan balances.

This Statement will be reviewed periodically by the Board and may be modified at any time as deemed necessary by the Board. The Board understands that this Statement is intended to provide the Board with sufficient flexibility to respond to developments in the current and future market conditions as well as changes in legal and regulatory requirements. Accordingly, the Board may make exceptions to this Statement if deemed prudent.

Part IV: Roles and Responsibilities

DCMGCthe Committee

The DCMGCommittee will, consistent with ERISA §404(a)(1) as a guiding resource, discharge their duties with respect to the Plan solely in the interests of the Participants, for the exclusive purpose of providing benefits to Participants and of defraying reasonable expenses, and 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.

The DCMGCommittee will be responsible for monitoring all plan service providers. Additionally, the DCMGCommittee will be responsible for the following:

- Establish and periodically review the Plan's Statement of Investment Policy
- Review all service providers' fee disclosures
- Periodically review the compensation and performance of the Plan's service providers
- Contract withRecommend to the Board, plan related service providers such as investment consultant, recordkeeping and administration, and participant education to ensure participant notices and disclosures are consistent with applicable regulations and timely provided
- Review the performance of Investment Alternatives no less than annually

Investment Consultant

The Committee has designated Northwest Capital Management, Inc. as a Fiduciary in the role of Investment Consultant, as defined by ERISA §3(21). The Investment Consultant is registered with the

Securities and Exchange Commission (IARD/CRD# 108091; SEC# 801-56420) under the Investment Advisors Act of 1940. The Investment Consultant shall provide the following services:

- Serve as fiduciary regarding the Plan's Investment Alternatives
- Recommend Investment Alternatives to the CommitteeCOMMITTEE and replace them, if necessary, consistent with the terms of this Statement
- Monitor the performance, fees, and characteristics of the Plan's Investment Alternatives, reporting its findings and conclusions in writing to the CommitteeCOMMITTEE on a quarterly basis
- As needed, assist the CommitteeCOMMITTEE with the evaluation of the Plan's other service providers from time to time

The Investment Consultant will have responsibility to recommend Investment Alternatives to the DCMC and replace them, if necessary, consistent with the terms of this Statement. The Investment Consultant will monitor the performance, fees, and characteristics of all Designated Investment Alternatives, reporting its findings and conclusions in writing to the DCMC on a quarterly basis. The Investment Consultant may assist the DCMC with the evaluation of the Plan's other service providers from time to time.

Recordkeeper

The Plan's Recordkeeper is responsible for providing the following services, amongst others not listed:

- Maintaining and updating individual account balances, including information regarding plan contributions, withdrawals, and distributions including facilitating said transactions
- Provide participants with phone and internet platforms to interact with their accounts and conduct transactions necessary to manager their accounts
- Provide the plan sponsor with website access to monitor plan demographics
- Provide participant education

The Committee has designated Heintzberger|Payne Advisors as a fiduciary in the role of Investment Consultant. Pursuant to this section, the Investment Consultant acknowledges it is a fiduciary to the Plan as defined in guidelines set forth within ERISA Section 3(21)(A) with respect to the Plan assets under its supervision. The Investment Consultant is registered with the Securities and Exchange Commission (IARD/CRD# 108091; SEC# 801-56420) under the Investment Advisors Act of 1940 and agrees that it will maintain all fiduciary bonding required under ERISA Section 412.

As fiduciaries to the Plan, the Committee and the Investment Consultant will discharge their duties with respect to the Plan solely in the interests of the Participants, for the exclusive purpose of providing benefits to Participants and of defraying reasonable expenses. The Investment Consultant and Committee shall demonstrate 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.

The Committee is responsible for establishing and maintaining this Statement of Investment Policy, and for selecting and overseeing the Investment Consultant, Custodian, Recordkeeper and Third Party Administrator.

The Investment Consultant will have responsibility to regularly review the performance of the Plan's Investment Alternatives and recommend to the Committee any action that may be appropriate given the terms of this Statement of Investment Policy. The Investment Consultant will monitor the

~~performance, fees, and characteristics of all authorized Investment Alternatives, reporting to the Committee with a written report on no less than a quarterly basis.~~

Part V: Investment Alternatives

Using ERISA Section 404(c) as a guide, the Plan will provide a variety of “Core” Investment Alternatives—each of which are diversified and have materially different risk and return characteristics—into which Participants may direct the investment of their Plan balances and contributions for their benefit. Through various combinations of Investment Alternatives, a Participant is to have the ability to construct a prudently-diversified portfolio with aggregate risk and return characteristics within a range normally appropriate for a Participant saving for retirement.

In general, all Investment Alternatives will be characterized as an Equity (stocks) or Fixed Income (bonds and cash) investment (or combination thereof). Within these two broad asset classes, several Sub-Asset Classes exist, e.g. U.S. Large Cap stocks, Foreign Stocks, Intermediate Bonds, etc. The Investment Consultant is to identify Investment Alternatives within various Sub-Asset Classes it deems appropriate for a well-diversified Core Menu of options. Where practical, passively-managed indexed options are to be made available.

Additionally, the Plan will provide diversified Investment Alternatives that are representative of, at minimum, one of the following two Sub-asset Classes:

- Cash Equivalents
- Stable Value

The Investment Consultant may select, as appropriate, additional Investment Alternatives to provide diversity of management style within each Sub-Asset Class, such as “value” and “growth”.

The Plan will allow, at the sole determination of, and selection by, the Committee, Investment Alternatives that will be referred to as “Specialty Options.” Specialty Options will offer Participants access to diverse investment management styles, asset classes, regional exposures, and/or industry sector or management strategies that may not broadly be representative of a core Sub-Asset Class investment, but are believed to be beneficial in constructing portfolios. Examples of Specialty Options include real estate, commodities, precious metals and multi-asset/balanced strategies. The securities within a Specialty Option may span more than one of the Sub-Asset Classes identified in this Statement.

Part VI: Target Date Funds

As additional Investment Alternatives to the core investment menu, the Investment Consultant will recommend a suite of Target Date Funds to act as predetermined asset allocation strategies for participants. A target-date portfolio’s investment strategy is to, over time, regularly adjust the mix of Investment Alternatives within the portfolio to reflect a decreasing level of expected market risk—primarily determined by the Portfolio’s allocation to Equities.

Each Target Date Fund will normally be identified by a calendar year. Participants of various ages may choose the target-date funds whose identified dates would correspond approximately with their own expected retirement dates, or based upon their preferred level of investment risk currently embodied within that Target Date Fund.

The number of Target Date Funds to be offered is at the discretion of the Committee, provided that sufficient portfolios exist which represent an appropriate and diverse range of risk-based options ranging from conservative to long-term growth.

Selection of a Target Date Fund is a decision of the Participant. The allocation of each Investment Alternative within a Target Date Fund is the decision of the Fund Company and not that of the Investment Consultant. Participants, at their option, may elect to have some or all of their Plan Account Balance and/or Future Contributions invested within any Target Date Fund, subject to any limitations of the software systems of the Plan's Recordkeeper.

Part VII: Self Directed Brokerage

The Plan permits a Participant the opportunity to opt out of the investment program outlined within this Statement and to manage his or her account in a self-directed brokerage account offered by the District's current service provider. If a Participant makes such an election, that account is not bound by the investment restrictions of this Statement. The Investment Consultant and the Committee will not have any obligation to review or monitor investments offered or utilized in the self-directed brokerage account, nor will it incur any liability for the Participant's management thereof.

Part VIII: Investment Alternative Selection Criteria

The Investment Consultant will identify Investment Alternatives for the Core Menu and the Target Date Funds, subject to the following Investment Alternative Selection Criteria:

- Each Investment Alternative will be managed by an investment adviser who meets certain minimum criteria. The adviser will be a bank, insurance company, or investment management company or investment adviser registered under the Investment Advisors Act of 1940, in good standing with regulators. An Investment Alternative may be a registered mutual fund, collective trust, or a separately managed account. The Investment Consultant is to secure information on the history of the advisor's firm, its investment philosophy and approach, its principals, portfolio composition, fee schedules, and other relevant information.
- When recommending an Investment Alternative, the Investment Consultant may rely upon industry-standard databases in addition to its own research and judgment to identify the Sub-Asset Class exposure(s) and management style of a particular Investment Alternative. For the purposes of allocation, categorization and performance reporting, the Investment Consultant may assume that the asset category of all securities purchased by an Investment Alternative is that of the particular fund's industry-standard classification even though some of the securities purchased by the Investment Alternative may actually be of a different asset class. In addition, the Investment Consultant may categorize the Investment Alternative as an allocation among multiple Sub-Asset Classes.
- All Investment Alternatives selected must have a readily ascertainable market value and must be readily marketable. The Plan must be able to purchase each Investment Alternative without an upfront sales charge. No Investment Alternative may be subject to a contingent deferred sales charge. However, an Investment Alternative may be subject to a Short-Term Redemption Fee or reasonable trading restrictions.

Additional Criteria for the initial selection of an Investment Alternative include the following:

- An Investment Alternative should have at least a three-year track record. In making this and similar performance-based determinations, the Investment Consultant may include the performance of an Investment Alternative’s manager whose investment performance at another fund is “portable” as defined by the SEC in its No-Action Letter of 9/13/96, or of a different share class of the same Investment Alternative, or the Investment Alternative manager’s relevant strategy performance composite.
- Except in the instance of a market index fund, the Investment Alternative’s performance will be measured against the performance of other managers with similar investment styles over the most recent 3-, 5-, and 10-year trailing period. The following components may be considered:
 - Investment performance (Absolute performance, benchmark-relative performance, etc.)
 - Risk-Adjusted performance (such as Shape Ratio, Information Ratio, etc.)
 - Risk Level (such as Standard Deviation, Upside Capture Ratio, Downside Capture Ratio, etc.)
- The Investment Alternative should have an expense ratio at or below the median for its general peer group.

The Investment Consultant, consistent with applicable professional and fiduciary standards, may determine additional criteria for the selection of an Investment Alternative, and apply those criteria as if contained within this Policy providing it communicates those criteria to the Committee in advance of their application.

The Investment Consultant may exercise some judgment in the recommendation of Investment Alternatives, even if the investment does not comply with all of the criteria identified above as Additional Criteria. In such instances, the Investment Consultant must present to the Committee its reasons for having selected the Investment Alternative.

Part IX: Investment Alternative Oversight

The Investment Consultant shall regularly review the performance of each Investment Alternative to determine if it should continue to be retained within the ~~Plan, and~~ Plan and communicate its findings in its Quarterly Performance Report to the Committee.

For each Investment Alternative, the Investment Consultant will identify an investment benchmark and peer group to be used for the purpose of ongoing monitoring. A blended benchmark comprised of industry accepted market indices or a sub-component of an index (e.g. S&P 400 Value) may be used for additional comparison if the Investment Consultant deems it to be relevant.

In its Quarterly Performance Reports to the Committee, the Investment Consultant will provide the Committee with up-to-date benchmark and peer group identification. To the extent practicable, investment benchmarks will be predefined, passive, and reflective of the Fund’s current investment strategy.

The Investment Consultant shall use an industry-accepted database of mutual funds for the compilation of peer group universes. The Investment Consultant may rely upon the database’s identification of each Investment Alternative’s category when compiling the universe. The Investment

Consultant, however, may override the database's characterization of one or more Investment Alternatives and also may create its own set of universes.

From time to time, asset class designations, Investment Alternative selections, data sources, benchmarks, and peer groups may change. Such changes, as they occur, will be reflected in the Quarterly Performance Report.

Except in the instance of a market index fund, events or criteria that may indicate that an Investment Alternative should be removed and/or replaced as a Plan Investment Alternative include, but are not limited to, the following:

- There has been a material change in the Investment Alternative's management, or the Alternative is subject to sanctions for noncompliance with laws or regulations affecting the Alternative's investment performance.
- Performance of the Investment Alternative no longer ranks competitively versus the performance of funds with a similar investment style.

The Investment Consultant, consistent with applicable professional and fiduciary standards, may determine additional criteria for the monitoring of an Investment Alternative, and apply those criteria as if contained within this Policy, providing it communicates those criteria to the Committee in advance of their application.

With each Quarterly Performance Report to the Committee, the Investment Consultant shall certify as to each Investment Alternative one of the following statements:

- The Investment Alternative remains suitable as the funding vehicle for an asset class;
- The Investment Alternative should be Replaced;
- The Investment Alternative is under Watch and might need to be replaced, or it should remain as the funding vehicle for an asset class for reasons to be enunciated within the Investment Consultant's report to the Plan.

No less than semi-annually, an authorized representative of the Committee will acknowledge receipt of the Investment Consultant's certification.

An Investment Alternative may continue to serve within the Plan even if it fails to meet all of the criteria identified herein if the Investment Consultant believes there are compelling reasons for the Plan to hold the Investment Alternative. In such an event, the Investment Consultant shall communicate such reasons within its Quarterly Performance Report to the Committee.

Consistent with the provisions of this Statement, and in the event the Investment Consultant determines that an Investment Alternative should be replaced, the Investment Consultant shall notify the Committee of such recommendation. The Investment Consultant may provide assistance to the Committee in the communication of Investment Alternative changes to the Plan's Recordkeeper and other service providers. However, the ultimate responsibility for authorizing the addition, removal, and mapping of Investment Alternatives to the appropriate service provider(s) is that of the Committee.

Part X: Target Date Fund Oversight

For each Target-Date Fund, the Investment Consultant shall establish a Policy Index (a hypothetical portfolio whose investment return is calculated as if the Portfolio contained assets whose performance

mirrors that of their respective Benchmark market index.) The Investment Consultant shall report to the Committee no less than quarterly the performance of each Target Date Fund and its Policy Index.

Part XI: Default Investment

In the event a Participant fails to make an affirmative investment election for his or her account balance, the Participant's account balance will be placed in a Target Date Fund whose identifying date is identical to, or alternatively, closest preceding the year the Participant will be age 65. If the Participant is older than age 65 and there is no corresponding date associated with their retirement date, the default investment is the most conservative target date fund.

Part XII: Disclosure of Fees, Commissions and Charges

All fees, commissions and charges for each selected investment option must be fully disclosed to the Committee before the option can be made available to plan participants. That is, in its review of a fund's performance history, the Committee must be shown the fund's gross performance less all applicable fees, commissions and charges, and the resulting net return.

In addition, these fees, commissions and charges will be disclosed to all participants at enrollment and at any other time as appropriate. It will be disclosed to plan participants the nature of all variances between gross return and net return.

Part XIII: Investment Communications to Participants

Information about each investment option will be given or made available to Plan participants to help them to make informed investment choices. The Providers shall provide at least quarterly statements of fund performance to each participant.

Upon request, copies of investment fund prospectuses or similar equivalent information will be provided to participants as well as such other information as the Committee has available such as a list of underlying investments for a given fund.

Part XIV: Investment Education

It is the Committee's objective to provide participants with ongoing investment education. The purpose of the investment education program is to provide information and tools to assist in the development of a personal investment strategy for employees and facilitate the achievement of savings and retirement goals.

Part XV: Portfolio Risk

At times, some of the funds to be selected for the day-to-day management of the Investment Alternatives may experience high degrees of price volatility and periods of substantial, negative performance. The Committee views the existence of market volatility as necessary to achieve each Investment Alternative's long-term investment objectives and understands that future market conditions may result in a negative performance that could fall below the historic experience of the Investment Alternative or its Benchmark Index.

Part XVI: Investment Prohibitions

In addition to any restrictions imposed on the Investment Consultant in other sections of this Policy Statement, the following additional restrictions, if any, apply:

Part XVII: Power to Amend

Nothing in this Statement shall preclude the Committee from modifying the scope or content of this Statement, or changing or imposing additional investment restrictions. Any such modifications will be delivered to the Investment Consultant and other service providers for acknowledgement of receipt and acceptance.

~~Document continues on the following page~~

Part XVIII: Adoption of Statement of Investment Policy

The Committee met and reviewed this Statement of Investment Policy on this _____ day of _____, 20____. By unanimous consent, it was resolved to adopt the Policy in the form herein described.

Committee Chair

Receipt of this Statement by the undersigned is acknowledged.

Brent Petty
Investment Consultant

Frederick J Payne, Jr.
Chief Compliance Officer