



# STATEMENT OF INVESTMENT POLICY

VOLUNTARY INVESTMENT PROGRAM (401(K) PLAN),  
DEFERRED COMPENSATION PLAN (457 PLAN), AND  
DEFINED CONTRIBUTION RETIREMENT PLAN (DC PLAN)

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# CONTENTS

Introduction.....	1
Purpose .....	1
Investment Objectives .....	1
Responsibilities .....	2
Performance Standards .....	4
Definitions.....	4
Appendix A—Current Plan Investment Options (PERAdvantage Funds).....	5
Appendix B—Current Self-Directed Brokerage Service Provider and Default Investment Option .....	6



# INTRODUCTION

The Public Employees' Retirement Association of Colorado (Colorado PERA) is the sponsor of three participant-directed plans (Plans): the Voluntary Investment Program (401(k) Plan), the Deferred Compensation Plan (457 Plan), and the Defined Contribution Retirement Plan (DC Plan), collectively known as the Capital Accumulation Plans (CAPs). Colorado PERA and the three participant-directed plans are governed by a 16-member Board of Trustees (Trustees). The 401(k) and 457 Plans are supplementary plans and the DC Plan is one of two primary retirement plan choices for eligible employees of particular employers in the State and Local Government Divisions, with the other being a defined benefit plan.

The Voluntary Investment Program (401(k) Plan) is an Internal Revenue Code Section 401(k) defined contribution plan administered by Colorado PERA. The Plan is a voluntary participant-directed defined contribution plan.

The Colorado PERA Deferred Compensation Plan (457 Plan) is an Internal Revenue Code Section 457 defined contribution plan administered by Colorado PERA. The Plan is a voluntary participant-directed defined contribution plan.

The Colorado PERA Defined Contribution Plan (DC Plan) is an Internal Revenue Code Section 401(a) defined contribution plan administered by Colorado PERA. The Plan is available to certain State of Colorado, Colorado community college, Local Government Division, or State-classified college or university employees.

The Plans' participants and beneficiaries are expected to have different retirement objectives, time horizons, and investment risk tolerances. To meet these varying needs, participants and beneficiaries are able to direct their contributions and account balances among a range of investment options and a self-directed brokerage window to construct diversified portfolios that can reasonably span the risk/return spectrum. Participants and beneficiaries alone bear the risk of investment results from the funds and asset mixes that they select.

# PURPOSE

The purpose of the investment policy is to:

- » State the Trustees' investment objectives for the Plans.
- » Define the roles of those responsible for selecting and monitoring the Plans' investments.
- » Establish investment performance standards.

# INVESTMENT OBJECTIVES

The Trustees recognize the range of investment needs represented by the Plans' participants and their individual retirement objectives. As a result, a broad range of investment options must be provided.

Investment options offered under each plan shall be selected in order to (1) provide a wide range of investment opportunities in various asset classes so as to allow for diversification and to cover a wide risk/return spectrum; (2) achieve returns within a reasonable and prudent level of risk; (3) provide returns comparable to returns for similar investment options; and (4) control administrative and investment management costs to the plan and participants.

# RESPONSIBILITIES

Although not specifically required by statute, the *Governance Manual*, adopted November 2001, and subsequently updated and revised, identifies the roles and responsibilities of the various parties that oversee the CAPs.

## BOARD OF TRUSTEES

As fiduciaries, Trustees shall carry out their functions solely in the interest of PERA participants and for the exclusive purpose of providing benefits and defraying reasonable expenses incurred in performing such duties. The Board shall diversify the investments of PERA so as to offer a wide spectrum of diverse investment options in the Plans unless, in light of the circumstances, it is not prudent to do so. The Trustees shall act with the care, skill, prudence, and diligence in light of the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use.

The Board of Trustees, as defined in the *Governance Manual*, will:

- » Approve a statement of investment policy and review it at least biennially
- » Approve changes in the lineup of investment options (i.e., PERAdvantage Funds) offered including the default investment option
- » Appoint, evaluate, and terminate the investment consultant

Additional monitoring and reporting requirements are specified in the *Governance Manual*.

## INVESTMENT COMMITTEE

The Investment Committee is responsible for assisting the Board in overseeing the PERA Investment Program. The Investment Committee, as defined in the *Governance Manual*, will:

- » Recommend to the Board a statement of investment policy and review it at least biennially
- » Recommend to the Board changes in the lineup of investment options (i.e., PERAdvantage Funds) offered including the default investment option
- » If requested by the Board Chair, recommend to the Board the investment consultant

- » Review investment performance of each investment option offered quarterly

Additional monitoring and reporting requirements are specified in the *Governance Manual*.

## STAFF

The overriding role of the staff is to assist the Board of Trustees in managing the PERA Investment Program. In this regard, as defined in the *Governance Manual*, staff will:

- » Recommend to the Investment Committee a statement of investment policy and review the statement with the Investment Committee at least biennially
- » Recommend to the Investment Committee changes in the lineup of investment options (i.e., PERAdvantage Funds) offered including the default investment option
- » Select the investment managers and the self-directed brokerage service provider for the CAPs, subject to the CAP statement of investment policy
- » Negotiate and approve guidelines and contracts for each investment manager retained by PERA
- » Determine the fee structure for the CAPs
- » Advise the Board and the Investment Committee on any other investment matters
- » Recommend to the Investment Committee the investment consultant and the self-directed brokerage service provider

Additional monitoring and reporting requirements are specified in the *Governance Manual*.

## UNDERLYING PORTFOLIO MANAGERS

Internal or external investment managers will invest plan assets according to their investment style for which they were hired and judgments concerning relative value of securities. In particular, investment managers are accorded full discretion, within policy and guideline limits, to:

- » Determine the investment strategy;
- » Implement security selection, disposition, and timing thereof;

In addition, portfolio managers will be responsible for the following:

- » Supply periodic reports of investment performance results to staff and/or to the investment consultant;
- » Communicate organizational or ownership changes to staff and/or to the investment consultant;
- » Comply with investment guidelines established in Investment Management Agreements or other relevant investment agreements; and
- » Be a fiduciary to the Plans where permitted by account structure.

## **CUSTODIAN BANK**

The custodian bank shall be responsible for the following as well as other agreed upon activities:

- » Safekeeping of assets, timely settlement of securities transactions, timely crediting of all income and principal realizable by the Plans, the daily sweep of excess cash from manager accounts into a suitable cash management vehicle, and timely calculation of net asset value for unitized separate accounts;
- » Promptly distributing all proxy materials or other corporate actions received by the Custodian;
- » Initiating rebalancing transactions as required;
- » Coordinating asset transfers as requested by PERA staff; and
- » Providing fund accounting for investment options. Services include, but are not limited to, calculating net asset value (NAV), posting securities trades and analyzing funds relative to target allocations.

## **INVESTMENT CONSULTANT**

The Trustees will retain an investment consultant to advise and assist the Trustees and staff in the overall supervision of the Plans' investments. In this role, the investment consultant will offer additional due diligence as well as independent third-party analysis. Consultants are fiduciaries and shall discharge their duties with respect to the Plans solely in the interest of the participants and benefit recipients with the care, skill, prudence, and diligence under the circumstances prevailing.

Qualified consultants include those professionals with the background, expertise, and demonstrated success as institutional investment consultants, and have the resources necessary to assist in providing investment program advice.

The investment consultant shall be responsible for the following as well as other agreed upon activities:

- » Making recommendations regarding investment option design, investment and performance objectives, guidelines, and this Policy;
- » Conducting portfolio manager searches;
- » Conducting periodic due diligence visits with portfolio managers;
- » Developing periodic investment evaluation reports;
- » Performing investment monitoring functions;
- » Assisting with implementation of new investments and investment related products/services; and
- » Reporting to the Committee and/or its designees on current investment trends and issues.

## **RECORDKEEPER**

The recordkeeper's responsibilities include, but are not limited to, the following:

- » Maintaining participant records, which include PERAdvantage elections, account balances, and any other data required to perform daily recordkeeping duties;
- » Maintaining current investment options' information on the recordkeeper's website;
- » Calculating and displaying participant and benchmark performance on specified intervals;
- » Administering participant directions;
- » Reporting to the plan sponsor;
- » Reporting to participants;
- » Allocating contributions;
- » Administering loans; and
- » Preparing any required regulatory documents.

## **PLAN PARTICIPANTS**

Participants in the Plans are allowed to direct the investment of assets in their accounts, selecting from the investment options offered under the Plans as they deem appropriate to meet their own retirement savings and income objectives. The investment options offer daily liquidity (subject to restrictions applicable to the fund or investment vehicle, if any) so that participants may exchange and transfer amounts as needed to implement their specific investment objectives. Plan participants bear the risks associated with their investment decisions.

## **PERFORMANCE STANDARDS**

Performance of investment options will be reviewed versus relevant benchmarks and comparative universes. Performance will be analyzed over appropriate time periods and market cycles.

## **DEFINITIONS**

### **BENCHMARK**

A market index or blend of market indices that are selected to serve as the performance measurement criterion for an investment option.

### **INVESTMENT OPTION (PERADVANTAGE FUND)**

One of the individual investment selections that may be chosen by a participant.

### **PARTICIPANT**

An employee or former employee of the State, School, Local Government, Judicial, and Denver Public Schools Division Trust Funds who has an account in the Plans.

### **UNDERLYING PORTFOLIO**

One of the funds or portfolios used to build a particular PERAdvantage Fund.

# APPENDIX A—CURRENT PLAN INVESTMENT OPTIONS (PERADVANTAGE FUNDS)

## CAPITAL PRESERVATION FUND

The Capital Preservation Fund seeks to provide consistent investment income with a stable net asset value primarily by investing in a portfolio of high quality, low volatility fixed income securities. The portfolio is paired with an insurance contract to provide a more stable return and to offer participants the ability to withdraw or transfer their funds subject to plan rules without any market value risk or other penalty for premature withdrawal.

## FIXED INCOME FUND

The Fixed Income Fund seeks to generate income, preserve capital, and provide long-term capital appreciation by investing in a diversified portfolio of fixed income instruments. This fund primarily invests in investment grade debt securities, but may invest a portion of its assets in high-yield securities, derivative instruments, or mortgage- or asset-backed securities.

## REAL RETURN FUND

The Real Return Fund seeks to provide broad exposure to real assets and inflation-linked bonds and to produce a return over a full market cycle that exceeds the rate of inflation. This fund invests in inflation-linked bonds, real estate investment trusts (REITs), commodities, and global natural resource and infrastructure stocks.

## SRI FUND

The Socially Responsible Fund seeks to invest in a portfolio of developed and emerging market stocks screened on environmental, social, and governance (ESG) factors, and fixed income securities across the investment grade spectrum that demonstrate ESG leadership. This is a balanced fund and is expected to hold both equity and fixed income investments.

## U.S. LARGE CAP STOCK FUND

The U.S. Large Cap Stock Fund seeks to provide long-term capital appreciation and dividend income primarily by investing in the common stock of companies in the United States with large market capitalizations.

## U.S. SMALL AND MID CAP STOCK FUND

The U.S. Small and Mid Cap Stock Fund seeks to provide long-term capital appreciation and dividend income primarily by investing in the common stock of companies in the United States with small and mid-market capitalizations.

## INTERNATIONAL STOCK FUND

The International Stock Fund seeks to provide long-term capital appreciation and dividend income primarily by investing in the common stock of companies outside the United States.

## TARGET RETIREMENT DATE FUNDS

The Target Retirement Date (TRD) funds are a series of funds with varying asset mixes and risk levels based on expected retirement date and become more conservative as the retirement date approaches. These funds seek a combination of income and capital appreciation.

# APPENDIX B—CURRENT SELF-DIRECTED BROKERAGE SERVICE PROVIDER AND DEFAULT INVESTMENT OPTION

## **SELF-DIRECTED BROKERAGE SERVICE PROVIDER**

TD Ameritrade

## **DEFAULT INVESTMENT OPTION**

BlackRock LifePath Index Target Retirement  
Date Funds