

---

**Investment Policy Statement  
for the  
Fairfax County Public Schools  
403(b) Plan**

**Adopted September 2022**

---

# **Fairfax County Public Schools 403(b) Plan Investment Policy Statement**

- I. Overview & Purpose**
- II. Roles and Responsibilities**
- III. Plan Investment Structure**
- IV. Investment Guidelines, Selection and Retention Criteria**
- V. Participant Investment Advice & Managed Accounts**
- VI. Investment Policy Changes**

---

## I. Overview & Purpose

Fairfax County Public Schools (“FCPS”) sponsors a 403(b) Plan (the “Plan”) to provide eligible employees, as defined in the Plan, with the opportunity to save for retirement. The Plan falls under Section 403(b) of the Internal Revenue Code of 1986, as amended (the “Code”)

The Plan is a "participant-directed" in that it permits individual participants to select an appropriate mix from the Plan’s investment offerings. It is the intent of the **Committee** that the Plan provide the participants with reasonable and diversified investment choices across a range of expected risk and return levels and be provided with sufficient information to make informed investment decisions. Participants alone bear the risk of investment results from the options and asset mixes that they select. Fiduciaries are not responsible for losses of participants resulting from the participant’s investment selection, or from any action taken in accordance with the participant’s investment direction.

The Plan is intended to provide the participants of the Plan the opportunity to save for retirement on a tax deferred basis and participants will be given the flexibility to alter their investment choices and the direction of existing and future contributions.

All transactions undertaken on behalf of the Plan will be made in the sole interest of, and for the exclusive purpose of providing benefits to, participants and beneficiaries, and defraying reasonable expenses of administering the Plan.

The purpose of this Investment Policy Statement (“IPS”) is as follows:

1. Set forth the investment guidelines and objectives for the investments of the Plan
2. Define the duties and responsibilities of the various individuals and organizations responsible for the management of the Plan’s assets.

This IPS serves as a set of guidelines for the Fairfax County Public Schools’ Deferred Compensation Investment Committee (“**Committee**”) to consider in fulfilling its administering of the Plan for the exclusive purpose of providing benefits to Plan Participants and beneficiaries and defraying reasonable expenses of administering the Plan. To the extent that anything in the IPS conflicts with the Plan Document, the Plan Document controls.

---

## II. Roles and Responsibilities

The **Committee** is responsible for the oversight and management of the Plan, according to the purview reflected in its bylaws, FCPS Policy 4750, or similar materials. The **Committee** may, at its discretion, retain the services of consultants, investment managers, advisors, and other service providers to assist the **Committee** in discharging its Plan obligations.

The **Committee** agrees that in carrying out its responsibilities it will:

- Work with the **Investment Advisor** to establish a framework for the management of Plan assets
- Make investment offering decisions;
- Oversee the Plan's assets;
- Review periodically, and revise as appropriate, the provisions of this IPS;
- Determine the investment menu structure, including the number and types of options to offer to plan participants; and the investment option(s) that will serve as the Plan's Qualified Default Investment Alternative ("QDIA");
- Select and monitor the investment managers to implement the investment menu structure as determined by the **Committee**; and
- Periodically review the performance, fees of the Plan's investments

The **Staff** will select professional service providers and establish effective communication and review procedures among the external service providers. Monitoring the costs of administering the plan, including the record keeper will be the responsibility of the staff

The **Investment Advisor** is responsible for the following:

- Serving as a fiduciary when advising the **Committee** approved by the IPS;
- Advising the **Committee** regarding the IPS development;
- Assisting the **Committee** with the maintenance of the IPS;
- Monitoring ongoing investment option performance and providing periodic investment performance reports, and
- Periodically meeting with the **Committee**.

The **Participants** are responsible for determining their contribution rate in accordance with the terms of the Plan and allocating their assets among the investment fund options offered in the Plan.

The **Investment Manager(s)** have the responsibility for managing the underlying assets by making reasonable investment decisions consistent with the stated investment strategy and objectives.

The **Recordkeepers** and **Custodians** may (often are) or may not be the same organization. The responsibilities for the custodian/recordkeeper include:

- Providing statements to participants

- Maintaining plan assets as well as transfer and/or allocate plan assets as directed by participants
- Reporting market values, cash flows, investment performance
- Making payments to beneficiaries, as prescribed

### III. Plan Investment Structure

The types of investment options may include varied risk levels, different asset classes and specialized styles of management to achieve different objectives. The investment options may be thought of in a tiered structure, based on the implementation objective of a participant to ensure clarity. The tiered structure is defined as follows:

- **Tier I – Professionally Managed Solutions (e.g., Target Date Investment Options or Managed Accounts):** Designed for participants and beneficiaries who prefer to outsource asset allocation and investment selection decisions by offering an array of simple, well-diversified, professionally managed asset allocation portfolios that meet investment objectives across the span of a full life cycle.
- **Tier II – Looking for Low Cost Access (Passive Investment Options):** Designed for participants who prefer to choose from a broad array of passively-managed investment options that cover major asset classes.
- **Tier III – Looking to Outperform (Active Investment Options):** Designed for participants who are looking to outperform over full business cycles, thereby prefer to choose from a well-diversified array of actively-managed investment options that cover major asset classes.

Within the tiered structure outlined above, the Plan may be composed of investment options from the following objective-based categories:

<b>Asset Allocation</b>	Offerings that are professionally designed and managed multi-asset class investment solutions
<b>Capital Preservation</b>	Offerings that seek stability of principal while offering a yield consistent with short term, high quality fixed income
<b>Income</b>	Offerings that produce returns through dividends and interest payments, predominantly fixed income
<b>Growth</b>	Offerings that seek long-term capital growth through investments in predominantly equities and equity-like securities
<b>Retirement Income</b>	Offerings designed to help facilitate income distributions during a participant’s spending phase

---

The following types of investment options may be offered:

### **Target Date Investment Options**

The target date strategies consist of a series of diversified investment funds, each of which is designed to correspond to a particular range of years during which a participant expects to retire. The target date funds utilize a broad range of asset classes and a regular rebalancing process designed to provide an appropriate mix of returns and risks consistent with the stated expected retirement date. Age appropriate target date funds will serve as the Plan's QDIA.

### **Asset Class Investment Options**

The asset class strategies can provide an array of diversified investment options selected to correspond with a particular asset class. The risk profile of each asset class investment option may change based on changing market conditions. The selected **Investment Manager** generally utilizes an approach whereby it gains exposure to its targeted asset class by investing directly in securities and other investments. Asset class funds may be implemented through passive or active management.

Specific investment options will be chosen within the asset classes selected. The **Committee** acknowledges that **Investment Managers** may invest a portion of the investment option in specific assets falling outside of the scope of the defined asset classes. However, the overall objective of such investment option must be in line with one of the asset classes listed above in order to be considered by the **Committee** for inclusion or maintained as a Plan investment. These investment options can be single investment managers or multi-manager construction.

## **IV. Investment Guidelines, Selection and Retention Criteria**

This section outlines broad investment guidelines for use in selecting **Investment Manager(s)** and monitoring the investments used by the Plan.

The **Committee** will make all decisions regarding retention, replacement, or elimination of an **Investment Manager** or investment strategies for Plan assets. The **Investment Advisor** will make recommendations to the **Committee** regarding retention, replacement or elimination of an **Investment Manager** or investment strategies for Plan assets.

The **Committee** will incorporate short- and long-term investment objectives, as well as the guidelines of this IPS, when making investment decisions.

---

The **Committee** intends to select the investment options with care, skill, and diligence that would be applied by a prudent expert acting in a like capacity and knowledgeable in the investment of retirement funds. The **Committee** may close, add, or change investment options at any time at its discretion.

The **Committee** considers many factors when selecting and monitoring the investment options, including but not limited to:

- **Business** – Ownership structure, profitability, stability of organization, client, asset base
- **Investment Staff** – Quality of personnel, depth of resources, turnover, succession planning
- **Investment Process** – Skilled investment decisions, clear and repeatable processes, understanding of competitive advantages
- **Risk Management** – Embedded in broader investment process, independently verified
- **Performance** – Risk-adjusted investment results, compared to appropriate benchmarks and peer groups, measured over multiple shorter- and longer-term periods, including trailing, rolling, and annual results
- **Operational Due Diligence** – Operational controls, valuation of assets, independent directors
- **Fees** – Investment expenses should be reasonable for the value provided and benchmarked for reasonability based on the specific type of investment strategy being evaluated
- **Regulatory oversight:** Each investment manager should be a regulated bank, an insurance company, a mutual fund organization, or a registered investment advisor.
- **Minimum track record:** The product's inception date should be at least three years; a shorter track record may be used when the investment professionals of a new organization have a well-established and recognized track record at a previous organization.
- **Assets under management:** The product should have a sufficient and appropriate asset base.
- **Holdings consistent with style:** History of reasonable adherence to investment objectives.

The **Committee** recognizes that as market, regulatory, and business conditions change, a strategy may require adjustments.

Short-term changes in financial markets, however, should not require adjustments to this policy, and it is expected that this policy will not be changed frequently. The **Committee** acknowledges that fluctuating rates of return characterize the securities markets, particularly during short-term periods. Accordingly, the **Committee** strives to view the interim fluctuations with an appropriate perspective.

---

## **Benchmarking**

In its review of strategy and **Investment Manager** performance, including fees and expenses, the **Committee** intends to include performance objectives based upon the appropriate market index and the relevant peer group for each investment option. In the case of multi-asset class investment options, performance objectives will be based upon a custom benchmark composed of market indices.

## **V. Participant Investment Advice and Managed Accounts**

A participant investment advice and/or managed account program may be offered as an **Investment Manager** under the Plan; components of monitoring may include, but are not limited to:

- Regularly monitor the **Investment Manager** to determine:
  - Whether there have been any significant changes in the computer model supporting the point-in-time advice and/or discretionary investment management;
  - Whether there have been any key staffing changes; and
  - Whether there have been changes to other metrics that materially affect the resource demands on the **Investment Manager** (e.g., number of clients, number of participants served);
- Periodically review and determine the quality of the **Investment Manager** relative to alternative options; and
- Periodically review and determine the reasonableness of the cost of the point-in-time advice and the managed account discretionary investment management relative to alternative options.

## **VI. Investment Policy Changes**

The **Committee** intends to review this IPS periodically to ensure that it continues to reflect the Plan's objectives. This IPS may be modified or terminated, in whole or in part, by the **Committee** at any time as the **Committee** deems appropriate.