Travis County Commissioners Court Agenda Request

Meeting Date: September 16, 2014
Prepared By/Phone Number: Norman McRee/854-4821
Elected/Appointed Official/Dept. Head: Leroy Nellis, County Executive - Succession
Commissioners Court Sponsor: Samuel T. Biscoe, County Judge

AGENDA LANGUAGE:

Consider and take appropriate action on the following matters related to the Deferred Compensation Plan:

A. Approval of use of the appropriate Target Date Funds based on the age and assumed time to retirement as the Default Investment Alternative for participants who do not select any investment.
B. Authorization of Great-West to place any investments under the Plan for which a participant has not made an active selection in the appropriate Target Date Fund.
C. Approval of Restated and Amended Travis County, Texas 457 (b) Plan Loan Administration Policy Plan: 98734-01.
D. Approval of revised Investment Policy Statement, effective upon approval.
E. Approval of Oversight Committee Directives and Responsibilities, effective upon approval.

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:

See attached.

STAFF RECOMMENDATIONS:

The Benefits Manager has reviewed the recommendations submitted and concurs with the findings of the Deferred Compensation Oversight Committee and therefore recommends approval of the proposed motions submitted.

ISSUES AND OPPORTUNITIES:

See attached.

FISCAL IMPACT AND SOURCE OF FUNDING:

None

AGENDA REQUEST DEADLINE: All agenda requests and supporting materials must be submitted as a pdf to Agenda@co.travis.tx.us by Tuesdays at **5:00 p.m.** for the next week's meeting.

REQUIRED AUTHORIZATIONS:

Travis County Deferred Compensation Oversight Committee

Voting Members

- Elliott Beck County Attorney 854-9415
- Michelle Brinkman District Clerk 854-4744
- Greg Jacobs County Auditor 854-9125
- Norman McRee HRMD 854-4821
- Vick Skinner Retiree 854-9522
- Jim Wilson Juvenile Court 854-7059
- Nancy Goodman-Gill, HHS & VS
- Deborah Laudermilk, Planning and Budget Office
- Paul Matthews, Sheriff's Office
- Cynthia McDonald, TNR

Non-Voting Members

- Al DiCristofaro, Consultant
- C. W. Bruner, Purchasing 854-9760
- Barbara Wilson County Attorney 854-9415

AGENDA REQUEST DEADLINE: All agenda requests and supporting materials must be submitted as a pdf to Agenda@co.travis.tx.us by Tuesdays at **5:00 p.m.** for the next week's meeting.

Human Resources Management Department

700 Lavaca Street, 4th Floor • P.O. Box 1748 • Austin, Texas 78767 • (512) 854-9165 / FAX(512) 854-4203

MEMORANDUM

DATE: September 5, 2014

TO: Samuel T. Biscoe, County Judge
Ron Davis, Commissioner, Precinct 1
Bruce Todd, Commissioner, Precinct 2
Gerald Daugherty, Commissioner, Precinct 3
Margaret Gomez, Commissioner, Precinct 4

VIA: Leroy Nellis, County Executive, Planning & Budget

FROM: Deferred Compensation Oversight Committee

SUBJECT: Summary of Committee Recommendations

Background:

Commissioners Court created the Deferred Compensation Oversight Committee ("Committee") on October 9, 2007. Since that time the Committee has developed an investment policy that was approved by the Commissioners Court in 2008 before the issuance of an RFP for third party administration and recordkeeping. As a result of this solicitation, on August 26, 2008 the Court approved Great-West Retirement Services as the plan administrator. At the end of December 2008, Great-West Life and Insurance Annuity Company (Great-West') became the record keeper for the Travis County, Texas 457 (b) Deferred Compensation Plan ("Plan"). At that time, the provisions in the Plan remained the same but new documents were approved.

Summary of Plan

Since then, the Plan has grown from 2,028 employees participating in 2008 to 2,563 as of August 19, 2014. This represents a little more than a 26% increase in participation.

When the investment balances, with the exception of the fixed account, were transferred to Great-West on January 30, 2009, the plan value was $26,727,765.07, including the fixed account value of $7,049,469.31. The transfer of the fixed account was completed on January 30, 2014. As of June 30, 2014, the Current Value of Investments is $66,351,224. The current value represents a 148% increase since January 30, 2009.

Issues and Opportunities:

As a result of greater participation, the interests of the participants have expanded. Several proposed changes to the Plan have been reviewed and the Committee is bringing the following two recommendations forward for your consideration:

1. Establish the Target Date Funds as the Default Investment Alternative for contributions of participants who do not make an active selection among the available options
2. Allow participants who have previously defaulted on a loan to initiate another loan and allow participants to continue loan payments after termination through use of coupons

In addition, the Committee has reviewed the Investment Policy Statement developed in 2007 and recommends some changes to it to reflect changes in the Deferred Compensation Plan since then.

Over the last few years, the Committee has experienced the loss through retirement of several voting and non-voting members. To assist with continuity as its membership changes, the Committee has prepared a description of its role in the Travis County Deferred Compensation Plan Oversight Committee Directives and Responsibilities and offers it to the Court for approval.

An explanation of each and wording for motions to implement each of the recommendations, if desired follows.

Attachments:

- Great-West Default Fund Election Form.
- Restated and Amended Travis County, Texas 457 (b) Plan Loan Administration Policy Plan 98734-01
- Investment Policy Statement with tracked changes
- Investment Policy Statement (for approval)
- Oversight Committee Directives and Responsibilities

Establish Target Date Funds as the Default Investment Alternative

Currently any investments under the Plan for which a participant has not made an active selection among the available options in the Plan's investment menu are placed in the Stable Value Fund.

With the changing investment options available in the market, the Plan's Target Date Investment Funds offer a more appropriate alternative because they meet the long-term needs of Plan's participants. If there are defaulted assets, these would be placed into the appropriate target date fund based on the age and assumed time to retirement of the participant.

PROPOSED MOTIONS:

- Approve use of the appropriate Target Date Funds based on the age and assumed time to retirement as the Default Investment Alternative
- Authorize Great-West to place any investments under the Plan for which a participant has not made an active selection among the available options in the Plan's investment menu in the appropriate Target Date Fund.

Allow Participants With A Previous Defaulted Loan To Initiate Another Loan

Currently the Plan does not allow a participant who has previously defaulted on a loan to initiate another loan. This limit existed with the prior record keeper. Maintaining this limit was thought prudent so that the Plan after conversion would be as similar to the previous Plan as possible.

Since then, some employees have expressed a desire to initiate a second loan after having defaulted on a prior loan. In some cases this has occurred through no fault of the participant. This limitation seems unduly harsh. The IRS regulations for a deferred compensation plan allow participants to initiate second loans after defaulting on a prior loan.

The following limits and requirements continue to apply after approval of this change:

- An employee can only have one loan at a time.
- The minimum loan is $1,000.
- The maximum loan is $50,000 or 50% of the employee's total account balance, whichever is less.
- If the employee had a loan outstanding during the past 12 months, the maximum above is reduced by the largest amount outstanding within that 12 months.
- There is a $50.00 loan initiation fee.

An Amended and Restated Travis County, Texas 457 (b) Plan Loan Administration Policy Plan has been prepared and it includes the following provisions to replace the current sections of the same numbers:

Section 9.06 If the participant has a loan that defaulted any time in the past the participant will be permitted to take a new loan(s) so long as the new loan is repaid via payroll deduction. Participants may not refinance a loan that has previously defaulted.

Section 9.07 Participants who leave service prior to the end of the loan term will be required to pay off the loan at severance of employment as provided by the plan unless arrangements are made to continue repaying via coupons. A former participant may avoid treatment of an unpaid loan as a "deemed distribution" and reporting of income to the IRS by paying the loan balance by the end of the grace period via a cashier's check or money order. Non-payment will force a "deemed distribution" and reporting of taxable income in the year the "deemed distribution" occurs.

PROPOSED MOTION:

Approve Restated and Amended Travis County, Texas 457 (b) Plan Loan Administration Policy Plan: 98734-01

Approve Revised
Travis County 457 Deferred Compensation Plan
Investment Policy Statement

Shortly after the Commissioners Court created the Committee on October 9, 2007, it began developing an investment policy in preparation for the issuance of an RFP for third party administration and recordkeeping. That policy was approved by the Commissioners Court in 2008 and has not been revised since then.

In reviewing the Investment Policy Statement, the following changes were considered appropriate some as a result of decisions related to the Plan that have been made by the Commissioners Court in the last 7 years and others as result of changes that are being recommended now.

The following revisions are suggested:

1. Referencing broad categories of investments within the investment guidelines instead of listing particular versions of categories of investments,
2. Authorizing the existence of Self-Directed Brokerage Option without limitation as to the investments that may be made through it,
3. Allowing for managed account services so that participants may more easily make appropriate investment decisions,
4. Addressing the existence of a Qualified Default Investment Alternative and designating that as the appropriate Target Date Fund,
5. Restating the second initial selection criteria for actively managed investment options to better reflect the manner in which it is applied, and
6. Establishing both criteria for the initial selection and on-going monitoring of a Stable Value product for the Plan.

Two copies of the Investment Policy Statement are attached: one with all changes tracked and the other with all changes accepted.

PROPOSED MOTION:

Approve revised Investment Policy Statement to be effective upon approval

Approve Travis County Deferred Compensation Plan Oversight Committee Directives and Responsibilities

Over the last few years, the Committee has experienced the loss through retirement of several long-standing voting and non-voting members. To assist with continuity as its membership changes, the Committee has prepared a description of its role in the Travis County Deferred Compensation Plan Oversight Committee Directives and Responsibilities and offers it to the Court for approval.

These Directives and Responsibilities provide the following information:

1. a general overview of the plan including the legal authority for it, eligibility, the Plan Sponsor and the Plan Administrator;
2. the manner in which Plan oversight has been accomplished through the creation of the committee, its function and the specific responsibilities that it has assumed;
3. particulars related to the oversight committee, including the composition of its membership, the appointment process, its leadership, and the responsibilities of its members; and
4. the committee protocol and procedures, including the rules of order, quorum, scheduling of meetings, notices and attendance, meeting agendas and materials, meeting minutes and committee records as well as public attendance and closed sessions.

There are two exhibits attached to the Directives and Responsibilities: the Committee Member Education Policy and the Committee Code of Ethics.

PROPOSED MOTION:

Approve Oversight Committee Directives and Responsibilities to be effective upon approval

Great-West Financial
Default Fund Election Form

PLAN NAME	PLAN NUMBER
Travis County, Tx 457 Deferred Compensation Plan	98134-01
EFFECTIVE DATE	

I. PLAN'S DEFAULT FUND(S) FOR PARTICIPANT ALLOCATIONS:

☐ **I designate the following fund(s) as the Plan's default fund:**

	SDIO Code	
_____	_____	_____%
_____	_____	_____%
_____	_____	_____%
_____	_____	_____%

(Please provide complete fund name. Percentages must total to 100%)

☒ **I designate the following Target Date Funds/Models as default funds based on Date of Birth Year**

	SDIO Code	(For Target Date Funds Only) Thresholds Low DOB	High DOB
T. Rowe Price Retirement 2010 Fund			
T. Rowe Price Retirement 2015 Fund			
T. Rowe Price Retirement 2020 Fund			
T. Rowe Price Retirement 2025 Fund			
T. Rowe Price Retirement 2030 Fund			
T. Rowe Price Retirement 2035 Fund			
T. Rowe Price Retirement 2040 Fund			
T. Rowe Price Retirement 2045 Fund			
T. Rowe Price Retirement 2050 Fund			
T. Rowe Price Retirement 2055 Fund			

(Please provide complete fund name. Percentages must total to 100%)

Great-West Financial
Default Fund Election Form

☐ I designate the following Risk-Based/models as default funds based on age

	SDIO Code	(For Risk-Based Funds Only) Thresholds Low Age	High Age
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

II. FORFEITURE FUND

☐ Check this box if the forfeiture fund is to be the same as the default fund(s) indicated above (not applicable if using Target Date/Risk-Based Funds). This does not move existing forfeiture balances.

Check this box if the forfeiture fund is to be different than the default fund. This does not move existing forfeiture balances. ☐ I designate the following fund(s) as the Plan's Forfeiture Fund:

	SDIO Code	
_____	_____	_____%
_____	_____	_____%
_____	_____	_____%
_____	_____	_____%
_____	_____	_____%

Great-West Financial
Default Fund Election Form

DEFAULT FUND AUTHORIZATION

The default fund election is established to allow investment of participant deposits if an enrollment form is incomplete or not received by the Great-West Service Center in Denver, CO prior to receipt of deposits. Once a participant account has been established, all new deposits will be applied to the investment options the participant has elected. It is the participant's responsibility to call KeyTalk or visit the Web Site to transfer existing monies from the default investment option.

By Signing this form the Plan Administrator acknowledges having read, understood and elected to implement the selected options for this plan. The Plan Administrator acknowledges that this election supersedes the election designated previously as the Plan's default fund. Changing the default fund(s) applies to new participants being added to the system. Participants currently defaulted will not change to the new default fund(s).

AUTHORIZED PLAN ADMINISTRATOR SIGNATURE

_____

Date

_____

Plan Number: 98734-01

Travis County, Texas 457 Deferred Compensation Plan

Loan Policy Administration

Article I. Eligibility

Section 1.01 Only employees who participate in a deferred compensation plan or defined contribution plan that permits loans may request a loan. The participant must have a minimum vested account balance of $2,000.

Article II. Minimum and maximum loan amounts

Section 2.01 The minimum loan amount that a participant may request is $1,000.

Section 2.02 The maximum loan amount that a participant may request is $50,000 or 50% of the vested account balance – whichever is less. The $50,000 maximum loan amount is reduced by the highest loan balance during the past 12 months minus the loan balance on the date a new loan is made.

Section 2.03 If a participant has an outstanding loan through another qualified plan, 403(b) plan, or a 457 plan maintained by the same employer, the maximum loan amount available must be reduced by the highest outstanding loan balance during the past 12 months. The participant is responsible for ensuring that the aggregated loan amount on all plans sponsored by the same employer is the lesser of $50,000 or 50% of the vested account balance.

Article III. Number of loans permitted

Section 3.01 The number of loans a participant may have outstanding at one time is one (1) as the loan repayments are submitted via payroll deduction. If the participant has an outstanding loan and wishes to initiate another loan, the participant must first repay the current outstanding loan via cashier check or bank money order.

Article IV. Cost

Section 4.01 A loan origination fee in the amount of $50.00 shall be deducted from the loan amount.

Section 4.02 An administrative fee of $25.00 per year/per loan, deducted quarterly at a rate of $6.25 will be assessed to each participant's account.

Section 4.03 If a participant requests their loan check to be sent express delivery, an additional $25.00 charge will be deducted from the loan check amount.

Article V. Loan Initiation

Section 5.01 Great-West Financial uses a two-step loan process. The first step of the loan process begins by the participant applying for a loan via paper, the Web site or KeyTalk®. The second step combines the Promissory Note and Loan Check into one document, eliminating the step of returning the signed Promissory Note prior to issuing the Loan Check. By endorsing the check, the participant agrees to the terms of the Note and the repayment obligation.

Section 5.02 Plans will be required to sign the Loan Administration Policy document prior to loans being made available. The signed Loan Administration Policy document will allow the participant to initiate and complete a loan request electronically without the plan's signature. If a paper application is used, the plan must sign each loan application submitted by its participants or the plan will be required to sign a letter of instruction authorizing the processing of loan applications without an authorized plan signature.

Article VI. Distribution of loan amount

Section 6.01 Loan distribution amounts will be prorated across all available money types as follows 1.non-fixed fund(s); 2.guaranteed fixed fund(s); 3 guaranteed certificate fund(s), liquidating the certificate(s) closest to maturity.

Article VII. Types of loans available

Section 7.01 A General Purpose Loan has a term of one to five (1-5) years. No reason or documentation (other than a signed promissory note) is required when a participant requests a General Purpose Loan. The interest rate for this type of loan is fixed for the life of the loan. The interest rate is 1% over the Prime Rate published in the Wall Street Journal on the first business day of the month before the loan is originated.

Section 7.02 A Principal Residence Loan has a term of six to fifteen (6-15) years. This loan must be utilized for the purchase of a primary residence ONLY. The interest rate is 1% over the Prime Rate published in the Wall Street Journal on the first business day of the month before the loan is originated.

Article VIII. Interest

Section 8.01 Interest paid on loans is not income tax deductible.

Article IX. Payment Requirements

Section 9.01 Scheduled payments must be made by payroll deduction or in some circumstances by cashier's check or bank money order. Loan repayments will be allocated to the participant's account according to current allocation percentages on Great-West Financial recordkeeping platform.

Section 9.02 Once a new loan has been initiated, the payroll department will be sent a report or an electronic file to begin loan payments. Loan repayments must begin on time or the loan payments will be in arrears. If loan payments are not caught up in time, the loan may default. Loan default results in adverse tax consequences to the participant.

Section 9.03 Basic Rules Regarding Loans to Ensure They Do Not Default

(a) Any amount paid out of a plan will be treated as a taxable distribution unless the plan loan rules under Code section 72(p) and the applicable Treasury regulations are followed.

(b) Payments must be made in level amortized amounts and must be made at least quarterly.

(c) Missed payments must be received prior to the end of the calendar quarter following the quarter in which the payment was missed.

(d) If a participant fails to make a loan repayment on time, and the missed loan repayment(s) is/are not made by the end of the following calendar quarter (or within the plan's more restrictive cure period), the loan is in default and ceases to comply with section 72(p).

(e) The entire outstanding loan balance plus accrued interest at the time of the default is taxable to the participant as a deemed distribution.

(f) The plan loan rules under Code section 72(p) do not provide a mechanism to ignore missed payments or to reverse a loan that has already defaulted.

Section 9.04 Loans are in arrears and delinquent when any payment is missed. A late loan payment notice will be issued after the end of the calendar quarter in which the payment is delinquent. If all missed payments are not made by the end of the calendar quarter after the calendar quarter in which a payment is first missed such that the loan is totally paid up to date, the loan will be in default. In that event, the entire outstanding loan balance, consisting of the missed payments, all accrued but unpaid interest and the remaining principal, will be reported to the IRS as taxable income on a Form 1099-R for the year in which the loan default occurs.

Section 9.05 In addition, if a loan has not been fully repaid by the end of its term, the outstanding balance will be taxable and will be reported to the IRS on Form 1099-R as taxable income. There is no opportunity to cure a late payment once the term has expired. The payroll department will be notified of the final loan payment amount prior to the final payment due date.

Section 9.06 If the participant has a loan that defaulted any time in the past, the participant will be permitted to take a new loan(s) so long as the new loan is repaid via payroll deduction. Participants may not refinance a loan that has previously defaulted.

Section 9.07 Participants who leave service prior to the end of the loan term will be required to pay off the loan at severance of employment as provided by the plan unless arrangements are made to continue repaying via coupons. A former participant may avoid treatment of an unpaid loan as a "deemed distribution" and reporting of income to the IRS by paying the loan balance by the end of the grace period via a cashier's check or money order. Non-payment will force a "deemed distribution" and reporting of taxable income in the year the "deemed distribution" occurs.

Section 9.08 When a participant takes a leave of absence of not longer than 1 year, either without pay from the employer or at a rate of pay that is less than the amount of the installment payments required under the terms of the loan, the plan should provide leave of absence information for a leave start and stop dates. The loan may be reamortized when the participant returns from leave to pay the loan in full by the maturity date of the loan. The entire outstanding loan balance, including all accrued but unpaid interest, will be reamortized.

Section 9.09 If the participant takes a military leave of absence, the interest rate on the loan will be reduced to 6%, during the period of military service provided the interest rate on the loan is greater than 6%. Loan payments must resume upon the participant's return from military leave. The term of the loan may be extended by the term of the military leave. The entire outstanding loan balance, including all accrued but unpaid interest, will be reamortized.

Section 9.10 As required by federal tax regulations, a participant's defaulted loan will remain on the books until a qualifying event occurs, even though income has been reported to the IRS.

Section 9.11 Partial lump sum loan repayments, via a cashier's check or money order, are permitted in order to catch up on a past-due amount or to reduce the principal amount of the loan. If a participant remits a partial payment, the loan payment amount will not change but the loan would be paid off earlier.

Article X. Early Loan Payoff

Section 10.01 A loan can be paid in full at any time, in the form of a cashier's check or bank money order. The participant may obtain a loan payoff quote via KeyTalk®. The loan payoff quote is valid for 15 days from the date it is obtained.

Article XI. Outstanding Loan at Death

Section 11.01 All outstanding loan principal and accrued interest shall be treated as a distribution from the plan when Great-West Financial is notified of a participant's death. A deceased participant's loan may not be transferred or assumed by the participant's beneficiary (ies). If a participant's loan has not been repaid as of the date of the participant's death, any distributions made from the deceased participant's plan account will be made net of any outstanding loan obligations. The amount of the outstanding loan as of the participant's date of death will be tax reported as a distribution to the participant or to the participant's estate as applicable.

Article XII. Future additions

Section 12.01 Future tax laws regarding plan loans will be incorporated into this loan policy and the Promissory Note.

Article XIII. Enforcement

Section 13.01 Great-West Financial is required to enforce these rules. The loan policy and loan administration procedures have been developed to comply with the requirements of Internal Revenue Code section 72(p) and the federal Treasury regulations thereunder, as amended from time to time.

The Plan Administrator/Employer hereby authorizes Service Provider to implement participant initiated loans based on the Loan Policy outlined above.

_____ _____

Authorized Plan Administrator/Employer Signature Date

TRAVIS COUNTY, TEXAS

457 DEFERRED COMPENSATION PLAN

INVESTMENT POLICY STATEMENT

September 2014

I. THE PLAN

Travis County ("the County") sponsors a 457(b) Deferred Compensation Plan ("the Plan") for the benefit of its employees. The Plan is intended to comply fully with all applicable state and federal laws and regulations governing §457(b) governmental deferred compensation plans. The Plan is intended to provide eligible employees with the long-term accumulation of retirement savings through employee contributions to individual participant accounts along with their subsequent investment results.

II. THE PURPOSE OF THE INVESTMENT POLICY STATEMENT

This investment policy statement is intended to communicate the Plan's administrative policy and procedures to its participants and assist the Plan's Oversight Committee ("Committee") in making recommendations to the Plan Administrator in a prudent manner.

This Investment Policy Statement is reviewed at least annually, and, if appropriate, can be amended at any time to reflect changes in the Plan's objectives, participants' objectives, or other factors relevant to the Plan.

III. ROLES AND RESPONSIBILITIES

The Travis County Commissioners Court ("the Commissioners Court") is the Administrator of the Plan and is responsible for the Plan's structure, administration, and the overall monitoring of its administrative and investment activities. The Commissioners Court has contracted with an outside service provider ("the Provider") to assist in the management and administration of the Plan. The Commissioners Court has appointed an Oversight Committee to assist it with its following responsibilities:

1. Determining the Plan's administrative structure;
2. Establishing and maintaining the Investment Policy Statement;
3. Quarterly, or as needed, evaluating the performance of the Plan's investment options and recommend changes, if necessary;
4. Monitoring the performance of the Plan's outside administrator(s).

The Committee is charged with making recommendations to the Commissioners Court about and for the Plan that are exclusively in the best interests of the Plan's participants and beneficiaries. Final decision making authority for all decisions about the Plan rests with the Commissioners Court. The Committee reviews the key elements of the Plan at least quarterly. Committee meetings are open to employees and plan participants. A listing of members currently serving

on the Committee may be accessed on the County's intranet site available to County employees.

The County has also retained the services of a Consultant to provide specific industry expertise to the Commissioners Court so that it can capably and competently fulfill its fiduciary responsibilities and to assist the Committee as needed.

Any recommendation or action regarding the Plan by any County official, any County employee, any member of the Oversight Committee, or the Plan's Consultant that is not solely in the best interests of the Plan's participants and beneficiaries or which could create a conflict of interest, the potential of a conflict of interest, or any self-dealing is strictly prohibited.

IV. INVESTMENT OBJECTIVES

The Plan's participants and beneficiaries are expected to have different investment objectives, time horizons and risk tolerances. To meet these varying investment needs, participants and beneficiaries are able to self-direct their account balances among a range of investment options to construct diversified portfolios that span the risk/reward spectrum. **Participants and beneficiaries alone bear the risk of investment results from the investment options and assets mixes that they select.**

V. INVESTMENT GUIDELINES

To provide for the investment needs of the Plan participants, the Plan may provide investment offerings across various asset classes. The investment offerings may consist of mutual funds, variable annuity separate accounts, collective trusts, or other types of investments that are permitted by law and appropriate for this type of Plan. At least one of the investment options in the Plan must have an investment objective of preservation of principal.
including, but not necessarily limited to:

Insured Fixed Accounts and Stable Value products
Equity-based mutual funds/annuity separate accounts
Income-based mutual funds/annuity separate accounts
Balanced mutual funds/annuity separate accounts
Target date or target risk mutual funds/annuity separate accounts
Self-Directed Brokerage Option, but only with respect to the purchase of mutual funds including exchange traded funds (ETF's)
Other mutual funds/annuity separate accounts included in a service provider's product that are appropriate for this type of Plan.

The Plan may also provide a Self-Directed Brokerage Option ("SDBO") as part of its investment menu. The SDBO may allow participants to utilize other investment options that are not part of the Plan's core investment menu. The Committee does not monitor any investment option provided through a SDBO. As with all investments made through the Plan, a participating employee assumes all risk for any investment option selected through a SDBO.

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Finally, the Plan may include managed account services that allow participants to more easily make appropriate investment decisions based on their time horizon and risk tolerances. The services may consist of managed account services provided through an independent Investment Advisor, and/or Target Date mutual funds, and/or Target Risk mutual funds.

Employees should contact the County's Human Resources department for specific information about the current provider of the plan.

VI. Qualified Default Investment Alternative (QDIA)

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The contributions of participants who do not make an active selection among the available options in the Plan's investment menu will be placed in the Plan's Target Date Investment Funds. The Target Date Funds were selected as the Qualified Default Investment Alternative (QDIA) because they meet the long-term needs of Plan's participants. Defaulted assets will be placed into the appropriate target date fund based on the age and assumed time to retirement of the participant.

IVII. INVESTMENT SELECTION, MONITORING, AND REPORTING

The Plan intends to provide a carefully selected menu of investment options that spans the risk/return spectrum and allows participants to construct portfolios consistent with their unique individual circumstances, goals, time horizons and tolerance for risk.

A. Initial Selection Criteria

All actively managed investment options in the Plan (except target date/target risk investment options) are initially selected using the following criteria:

1. Each investment option has at least five (5) years of investment experience as of the date of review;
2. Each investment option has a total net expense ratio that is equal to or less than the average of its Morningstar peer group Each investment option has a total expense ratio, (i.e. the total of fund management fees, 12(b)1 fees and other expenses) that is equal to

or less than the average of all investment options in its asset class as defined by Morningstar;

3. Each investment option has a performance rank in the top one third of the asset class to which it is allocated by Morningstar for either the last three (3) or five (5) year performance period as of the date of review.

While it is the Plan's intent that all investment options meet all criteria specified above, it may not always be possible for some investment options, particularly target date and/or target risk funds, to comply. As a result, the Committee may recommend and the Commissioners Court may approve for the inclusion in the Plan a series of target date and/or target risk investment options where the series meets the criteria #1 and #2 indicated above and at least **60%** of the series meets the performance criteria specified in #3 above.

Passively managed investment options (i.e., indexed funds) that are consistently managed to their published benchmark index are selected for the Plan solely on the basis of the fee structure of the investment option.

The Plan's Stable Value product is selected using the following criteria:

1. The product's focus and ability to effectively guarantee the safety of participants' contributions
2. The quality of the product's underlying portfolio in assuring the relative safety of contributions
3. The historical earnings of the product relative to its appropriate peer group
4. An expense structure that compares favorably to the product's peer group.

Notwithstanding the foregoing, the Committee may recommend and the Commissioners Court may approve any investment option for inclusion in the Plan that is deemed to be appropriate for a Plan of this nature and in the best interests of the majority of the Plan's participants and beneficiaries even though the investment option may not meet any or all of the above criteria.

B. On-Going Monitoring

The Committee assisted by the Plan's Consultant and/or the Plan's Provider performs an analysis of all investment options included in the Plan on a quarterly basis. The monitoring process focuses on:

1. QUALITATIVE CRITERIA: The investment option continues to meet all criteria that caused it to be initially included in the Plan. A substantive change in qualitative criteria may include, but is not necessarily limited to:

a. The investment option has changed managers, or such a change appears imminent;
b. The investment option has had a significant change in ownership or control;
c. The investment option has changed its investment mandate or has experienced style drift, departing from the investment objectives or parameters in the prospectus;
d. The investment option has changed its cost structure;
e. The investment option's management or affiliated management has violated or is under investigation for the alleged violation of an SEC, FINRA, federal or state rule or regulation or the alleged violation of its own rules, regulations, or prospectus;
f. The investment option has experienced difficulty in transacting trades, fund transfers, or pricing;
g. The investment option has experienced minimal participation by Plan participants as measured by minimal dollars invested and a prolonged period of minimal deferrals being invested;
h. Any other circumstance regarding the investment option that the Committee determines is in conflict with this Policy Statement.

2. QUANTITATIVE CRITERIA: Any actively managed investment option in the Plan is expected to consistently perform in the top 50th percentile of its Morningstar peer group on a rolling 3 year basis. Any option that does not meet that criterion may be included on a "watchlist" (see C below).

3. SPECIFIC STABLE VALUE PRODUCT CRITERIA: The following factors will be considered in the on-going evaluation of the stable value product in the Plan:

a. The product's current market-to-book value ratio
b. The average credit quality of the product's underlying portfolio
c. The average duration of the product's underlying portfolio
d. The creditworthiness of the product's GIC and Wrap issuer(s)
e. The product's current yield compared to its relative peer group
f. The product's expense structure relative to its peer group.

C. Formal Watchlist

If the Committee determines that any of the above qualitative and quantitative factors or any other development regarding the investment option's performance or organization warrants a more thorough examination, the Committee may recommend that the Commissioners Court place the investment option on a formal "watchlist".

1. If the Committee has determined that an investment option fails the criteria in VI.B.1-2 above in the current quarter, then the Commissioners Court may place the fund on a "watchlist". While a fund is on "watch" no action is taken and additional information is gathered as to why the option has failed the Plan's criteria.

2. If the investment option's performance deficiencies continue for four consecutive quarters or seven of the trailing twelve quarters, the Committee may recommend that the Commissioners Court notify participants of this fact and/or close the option to new contributions and/or eliminate the option from the Plan's investment menu. Additionally, the Committee may recommend a replacement option in the same asset class to the Commissioners Court.

3. Participants in investment options eliminated from the Plan are given a reasonable period of time to transfer their balance from the affected option to another available option within the Plan. If the participant does not respond in a timely manner, the Plan may transfer the balance to an appropriate investment option available in the Plan at that time.

4. The Committee may make a recommendation to the Commissioners Court to take corrective action against any investment option in the Plan at any time. The watchlist is not the only route for removing an existing investment option. Serious irreparable deficiencies in an investment option may result in a recommendation for the immediate removal of that option by the Commissioners Court without it first being watch-listed.

5. Participants may secure a listing of any investment option in the Plan that has been "watch-listed" from the Plan's administrator.

VII. PARTICIPANT EDUCATION AND COMMUNICATION

The Plan provides for objective, balanced, and effective participant education, counseling and account management services through a variety of media

including the services of salaried, on-site personnel employed by the Plan's approved pProviders.

VIII. COORDINATION OF THE PLAN DOCUMENT

Notwithstanding the foregoing, if any term or condition of the investment policy conflicts with any term or condition in the Plan, the terms and conditions of the Plan shall control.

TRAVIS COUNTY, TEXAS

457 DEFERRED COMPENSATION PLAN

INVESTMENT POLICY STATEMENT

September 2014

I. THE PLAN

Travis County ("the County") sponsors a 457(b) Deferred Compensation Plan ("the Plan") for the benefit of its employees. The Plan is intended to comply fully with all applicable state and federal laws and regulations governing §457(b) governmental deferred compensation plans. The Plan is intended to provide eligible employees with the long-term accumulation of retirement savings through employee contributions to individual participant accounts along with their subsequent investment results.

II. THE PURPOSE OF THE INVESTMENT POLICY STATEMENT

This investment policy statement is intended to communicate the Plan's administrative policy and procedures to its participants and assist the Plan's Oversight Committee ("Committee") in making recommendations to the Plan Administrator in a prudent manner.

This Investment Policy Statement is reviewed at least annually, and, if appropriate, can be amended at any time to reflect changes in the Plan's objectives, participants' objectives, or other factors relevant to the Plan.

III. ROLES AND RESPONSIBILITIES

The Travis County Commissioners Court ("the Commissioners Court") is the Administrator of the Plan and is responsible for the Plan's structure, administration, and the overall monitoring of its administrative and investment activities. The Commissioners Court has contracted with an outside service provider ("the Provider") to assist in the management and administration of the Plan. The Commissioners Court has appointed an Oversight Committee to assist it with its following responsibilities:

1. Determining the Plan's administrative structure;
2. Establishing and maintaining the Investment Policy Statement;
3. Quarterly, or as needed, evaluating the performance of the Plan's investment options and recommend changes, if necessary;
4. Monitoring the performance of the Plan's outside administrator(s).

The Committee is charged with making recommendations to the Commissioners Court about and for the Plan that are exclusively in the best interests of the Plan's participants and beneficiaries. Final decision making authority for all decisions about the Plan rests with the Commissioners Court. The Committee reviews the key elements of the Plan at least quarterly. Committee meetings are open to employees and plan participants. A listing of members currently serving

on the Committee may be accessed on the County's intranet site available to County employees.

The County has also retained the services of a Consultant to provide specific industry expertise to the Commissioners Court so that it can capably and competently fulfill its fiduciary responsibilities and to assist the Committee as needed.

Any recommendation or action regarding the Plan by any County official, any County employee, any member of the Oversight Committee, or the Plan's Consultant that is not solely in the best interests of the Plan's participants and beneficiaries or which could create a conflict of interest, the potential of a conflict of interest, or any self-dealing is strictly prohibited.

IV. INVESTMENT OBJECTIVES

The Plan's participants and beneficiaries are expected to have different investment objectives, time horizons and risk tolerances. To meet these varying investment needs, participants and beneficiaries are able to self-direct their account balances among a range of investment options to construct diversified portfolios that span the risk/reward spectrum. **Participants and beneficiaries alone bear the risk of investment results from the investment options and assets mixes that they select.**

V. INVESTMENT GUIDELINES

To provide for the investment needs of the Plan participants, the Plan may provide investment offerings across various asset classes. The investment offerings may consist of mutual funds, variable annuity separate accounts, collective trusts, or other types of investments that are permitted by law and appropriate for this type of Plan. At least one of the investment options in the Plan must have an investment objective of preservation of principal.

The Plan may also provide a Self-Directed Brokerage Option ("SDBO") as part of its investment menu. The SDBO may allow participants to utilize other investment options that are not part of the Plan's core investment menu. The Committee does not monitor any investment option provided through a SDBO. As with all investments made through the Plan, a participating employee assumes all risk for any investment option selected through a SDBO.

Finally, the Plan may include managed account services that allow participants to more easily make appropriate investment decisions based on their time horizon and risk tolerances. The services may consist of managed account services

provided through an independent Investment Advisor, and/or Target Date mutual funds, and/or Target Risk mutual funds.

Employees should contact the County's Human Resources department for specific information about the current provider of the plan.

VI. QUALIFIED DEFAULT INVESTMENT ALTERNATIVE (QDIA)

The contributions of participants who do not make an active selection among the available options in the Plan's investment menu will be placed in the Plan's Target Date Investment Funds. The Target Date Funds were selected as the Qualified Default Investment Alternative (QDIA) because they meet the long-term needs of Plan's participants. Defaulted assets will be placed into the appropriate target date fund based on the age and assumed time to retirement of the participant.

VII. INVESTMENT SELECTION, MONITORING, AND REPORTING

The Plan intends to provide a menu of investment options that allows participants to construct portfolios consistent with their unique individual circumstances, goals, time horizons and tolerance for risk.

A. Initial Selection Criteria

All actively managed investment options in the Plan (except target date/target risk investment options) are initially selected using the following criteria:

1. Each investment option has at least five (5) years of investment experience as of the date of review;
2. Each investment option has a total net expense ratio that is equal to or less than the average of its Morningstar peer group ;
3. Each investment option has a performance rank in the top <u>one third</u> of the asset class to which it is allocated by Morningstar for either the last three (3) or five (5) year performance period as of the date of review.

While it is the Plan's intent that all investment options meet all criteria specified above, it may not always be possible for some investment options, particularly target date and/or target risk funds, to comply. As a result, the Committee may recommend and the Commissioners Court may approve for the inclusion in the Plan a series of target date and/or target risk investment options where the series meets the criteria #1 and #2 indicated above and at least **60%** of the series meets the performance criteria specified in #3 above.

Passively managed investment options (i.e., indexed funds) that are consistently managed to their published benchmark index are selected for the Plan solely on the basis of the fee structure of the investment option.

The Plan's Stable Value product is selected using the following criteria:

1. The product's focus and ability to effectively guarantee the safety of participants' contributions
2. The quality of the product's underlying portfolio in assuring the relative safety of contributions
3. The historical earnings of the product relative to its appropriate peer group
4. An expense structure that compares favorably to the product's peer group.

Notwithstanding the foregoing, the Committee may recommend and the Commissioners Court may approve any investment option for inclusion in the Plan that is deemed to be appropriate for a Plan of this nature and in the best interests of the majority of the Plan's participants and beneficiaries even though the investment option may not meet any or all of the above criteria.

B. On-Going Monitoring

The Committee assisted by the Plan's Consultant and/or the Plan's Provider performs an analysis of all investment options included in the Plan on a quarterly basis. The monitoring process focuses on:

1. QUALITATIVE CRITERIA: The investment option continues to meet all criteria that caused it to be initially included in the Plan. A substantive change in qualitative criteria may include, but is not necessarily limited to:

    a. The investment option has changed managers, or such a change appears imminent;
    b. The investment option has had a significant change in ownership or control;
    c. The investment option has changed its investment mandate or has experienced style drift, departing from the investment objectives or parameters in the prospectus;
    d. The investment option has changed its cost structure;
    e. The investment option's management or affiliated management has violated or is under investigation for the alleged violation of an SEC, FINRA, federal or state rule or regulation or the alleged violation of its own rules, regulations, or prospectus;

f. The investment option has experienced difficulty in transacting trades, fund transfers, or pricing;
g. The investment option has experienced minimal participation by Plan participants as measured by minimal dollars invested and a prolonged period of minimal deferrals being invested;
h. Any other circumstance regarding the investment option that the Committee determines is in conflict with this Policy Statement.

2. QUANTITATIVE CRITERIA: Any actively managed investment option in the Plan is expected to consistently perform in the top 50th percentile of its Morningstar peer group on a rolling 3 year basis. Any option that does not meet that criterion may be included on a "watchlist" (see C below).

3. SPECIFIC STABLE VALUE PRODUCT CRITERIA: The following factors will be considered in the on-going evaluation of the stable value product in the Plan:

   a. The product's current market-to-book value ratio
   b. The average credit quality of the product's underlying portfolio
   c. The average duration of the product's underlying portfolio
   d. The creditworthiness of the product's GIC and Wrap issuer(s)
   e. The product's current yield compared to its relative peer group
   f. The product's expense structure relative to its peer group.

C. Formal Watchlist

If the Committee determines that any of the above qualitative and quantitative factors or any other development regarding the investment option's performance or organization warrants a more thorough examination, the Committee may recommend that the Commissioners Court place the investment option on a formal "watchlist".

1. If the Committee has determined that an investment option fails the criteria in VII.B.1-2 above in the current quarter, then the Commissioners Court may place the fund on a "watchlist". While a fund is on "watch" no action is taken and additional information is gathered as to why the option has failed the Plan's criteria.

2. If the investment option's performance deficiencies continue for four consecutive quarters or seven of the trailing twelve quarters, the Committee may recommend that the Commissioners Court notify participants of this fact and/or close the option to new contributions and/or eliminate the option from the Plan's investment menu. Additionally, the Committee may recommend a replacement option in the same asset class to the Commissioners Court.

3. Participants in investment options eliminated from the Plan are given a reasonable period of time to transfer their balance from the affected option to another available option within the Plan. If the participant does not respond in a timely manner, the Plan may transfer the balance to an appropriate investment option available in the Plan at that time.

4. The Committee may make a recommendation to the Commissioners Court to take corrective action against any investment option in the Plan at any time. The watchlist is not the only route for removing an existing investment option. Serious irreparable deficiencies in an investment option may result in a recommendation for the immediate removal of that option by the Commissioners Court without it first being watch-listed.

5. Participants may secure a listing of any investment option in the Plan that has been "watch-listed" from the Plan's administrator.

VII. PARTICIPANT EDUCATION AND COMMUNICATION

The Plan provides for objective, balanced, and effective participant education, counseling and account management services through a variety of media including the services of salaried, on-site personnel employed by the Plan's Provider.

VIII. COORDINATION OF THE PLAN DOCUMENT

Notwithstanding the foregoing, if any term or condition of the investment policy conflicts with any term or condition in the Plan, the terms and conditions of the Plan shall control.

TRAVIS COUNTY DEFERRED COMPENSATION PLAN

OVERSIGHT COMMITTEE DIRECTIVES AND RESPONSIBILITIES

ADOPTED SEPTEMBER 16, 2014

I. GENERAL OVERVIEW OF PLAN

A. THE PLAN

The Travis County Deferred Compensation Plan is an IRC §457(b) governmental deferred compensation plan (the "Plan") created pursuant to Section 609.102(b) of the Texas Government Code. The Plan allows participating employees of Travis County to defer current income into a long term plan that is intended to supplement retirement income provided to County employees through Texas County and District Retirement System.

B. PARTICIPATING PARTIES

The Plan is open to eligible employees of Travis County. Eligibility is determined by the Plan Document.

C. PLAN SPONSOR

Travis County is the Plan Sponsor. As Plan Sponsor, Travis County acts through the Travis County Commissioners Court.

D. PLAN ADMINISTRATOR

The Commissioners Court of Travis County ("Commissioners Court") serves as the Plan Administrator as defined under Section 609.103(a) of the Texas Government Code and has the powers authorized by Chapter 609 of the Texas Government Code. The Commissioners Court designates staff and a Third Party Administrator ("TPA") to monitor the administration of the Plan and oversee day to day operations.

II. PLAN OVERSIGHT

A. CREATION OF COMMITTEE

Pursuant to Section 609.106 of the Texas Government Code, the Commissioners Court creates the "Deferred Compensation Oversight Committee" ("Committee") to direct and supervise the activities of the TPA contracted by the County to administer the Plan. The Committee serves in an advisory capacity to the Plan Administrator who has ultimate responsibility for the administration of the Plan.

B. FUNCTION OF COMMITTEE

The Committee's function is to advise the Commissioners Court on actions necessary for the County to meet its responsibility as a fiduciary of the Plan.

C. SPECIFIC RESPONSIBILITIES OF THE COMMITTEE

The Committee is charged with the following responsibilities:

1. Recommend the adoption of an Investment Policy Statement ("IPS") that describes the Plan(s), its purpose, its responsible parties, its operations, the types of investments available to participants, how and with what frequency investment options are reviewed and/or replaced, and other items to encourage the use of good judgment and prudent care by Commissioners Court in making decisions on behalf of Plan participants and their beneficiaries.

2. Review the IPS annually and recommend any changes that may better achieve the document's objectives.

3. Monitor the activities of the Plan's TPA(s).

4. At least quarterly, review investment options of the Plan with the Plan's IPS and recommend the addition, replacement, or elimination of any option to better meet the needs of the Plan's participants and beneficiaries.

5. Review and recommend training, education, and communication standards and materials for the Plan's eligible employees.

6. Review and recommend the development of policies and procedures that are necessary in order for the Plan to comply with all state and federal laws.

7. Provide input on policies and procedures relative to eligible participants, beneficiaries, appeals and any other matters as may be necessary to advise the Plan Administrator and/or his/her designee.

8. Recommend, as necessary, the issuance of an RFP that results in hiring a TPA(s) or other service providers that provide better value and/or services for participating employees.

III. OVERSIGHT COMMITTEE

A. MEMBERSHIP

The Committee shall be comprised of employees and retirees. Some are employees whose training or experience or job responsibilities provide specialized information related to the operation of the Deferred Compensation Plan and these employees are appointed to the committee by their position title and serve until their position changes and without regard to their participation in the Plan. Some are employees representing various departments within the County and are appointed to reflect the distribution of employees in Travis County and shall be participants in the Plan. Some are retirees representing those retirees who have retained an account balance in the Plan. There shall be at least 11 and not more than 13 voting members on the Committee. Members of the Committee serve on a voluntary basis. The committee membership shall be composed of voting and non-voting members. The voting members act as representatives of the employees and retirees eligible to participate in the Plan. The non-voting members act as subject matter resources for the voting members. The voting members are as follows:

(1) The Benefits Manager,

(2) The Cash Investment Manager,

(3) One person who is on the Payroll staff in the County Auditor's Office and designated by the County Auditor

(4) Up to ten (10) county employees and retirees who are plan participants. These members may include up to three retirees who have retained an account balance in the Plan. The employees should be selected to provide representation from a variety of departments with an emphasis on representation from departments with a large number of employees such as, the following departments and offices:

a. District Attorney's office
b. County Clerk's office or District Clerk's office
c. Tax Assessor Collector's office
d. Juvenile Court
e. Health and Human Services Department
f. Sheriff's office
g. Transportation and Natural Resources Department

These employees shall not include more than one (1) employee from any one department and shall not include any employees from the cash investment department, HRMD or the County Auditor's Office. These employees are selected based on recommendations from their department head or the Committee and approved by the Commissioners Court. The cycle applicable to each member shall be noted at the time that appointment is approved.

The non-voting members are as follows:

(1) The County Executive of Planning and Budget, the Budget Manager or designee,

(5) One person from Human Resources Management Department ("HRMD") who is designated by the Benefits Manager and serves as administrative support for the Committee

(2) The Buyer from Purchasing assigned to assist with the TPA and Consultant solicitations,

(3) The County Attorney assigned to provide legal advice,

(4) The Consultant, if any, selected to provide deferred compensation and financial industry expertise,

(5) A representative from the office of any member of the Commissioners Court.

B. APPOINTMENT OF MEMBERS AND DURATION OF TERM

The HRMD member of the committee shall notify departments of the need to fill Committee vacancies. Department Directors will recommend members to the Commissioners Court for approval through HRMD.

Voting members designated by position serve as long as the employee is in the position. Voting members from departments are appointed for three (3) years terms and may be appointed for two (2) consecutive three (3) year terms. If a member of the committee is no longer an employee, the appointment terminates at the end of employment. If a person is appointed to complete an unexpired term, the person may be appointed for up to two (2) additional three (3) year terms. Members of the Committee serve at the pleasure of the Commissioners Court and may be removed at any time by the Commissioners Court with or without cause.

The initial terms for membership (starting in 2013) shall be staggered to ensure that transition within the committee does not deplete incumbent membership at any time. Cycle one members will have an initial term of three years; cycle two members an initial term of two years, and cycle three members one year.

C. COMMITTEE OFFICERS: CHAIR AND VICE-CHAIR.

The Committee elects a Committee Chair and Vice-Chair from among its voting membership at the last meeting in each calendar year. The Chairperson is responsible for ensuring that meetings are conducted regularly, in an orderly manner; information is disseminated to all members, and minutes are prepared and maintained as necessary; and responsibilities, individual and collective, are consistently met. The Chairperson may appoint ad hoc subcommittees as needed. The Vice-Chairperson shall assist the Chairperson and preside over meetings in the absence of the Chairperson.

D. RESPONSIBILITIES OF COMMITTEE MEMBERS

The Committee Members shall, at a minimum, perform the following duties and tasks:

Ministerial:

1. Attend each scheduled meeting, or notify the Chairperson of the reason why he/she cannot attend, no later than forty-eight (48) hours before the meeting,.

2. Review all information disseminated before the meetings and prepare to participate and provide input for recommendations to assist Commissioners Court in its decision-making.

3. Share ideas/concerns from employees with the Committee for discussion, consideration, and responses, as appropriate.

4. Be respectful of "rules of order" and professional courtesy during meetings and address disagreements or questions regarding procedures professionally and at the appropriate time and place.

Professional:

5. Serve as a liaison for questions/concerns between the Committee and the Member's Department or "constituency" in the case of the retiree representative.

6. Remember that all recommendations must serve the purpose of ensuring the best interests of participants and their beneficiaries, and not personal/individual agendas.

7. Ensure that all recommendations regarding the Plan comply with the provisions of the Plan Document and the Plan's Investment Policy Statement.

8. Assist in developing and implementing policies and procedures that are necessary to comply with all state and federal laws and standards or codes of conduct, to the extent they exist and are applicable to a governmental deferred compensation plan under the Internal Revenue Code §457(b).

9. Understand the fiduciary responsibilities applicable to the Plan and those assigned to the Committee and the Committee's roles in meeting the County's goals relative to the Plan.

10. Complete training annually as described in the attached Exhibit "A", Committee Member Orientation and Education Policy, to ensure responsibilities and roles are understood.

11. Comply with the Committee Code of Ethics, in the attached Exhibit "B".

IV. COMMITTEE MEETING PROTOCOL AND PROCEDURES

1. **Rules of Order and Quorum:**

   a. The Committee and its subcommittees shall operate under the general guidance of Robert's Rules of Order unless State law provides otherwise.

   b. A quorum must be present for the Committee or its subcommittees to conduct business. Attendance by eight (8) voting members of the Committee constitutes a quorum. Committee members may not attend meetings through delegates or authorize voting by proxy.

   c. When there is a quorum of the Committee, a simple majority of those present is required to approve any motion or recommendation by any committee member.

2. **Scheduling of Regular, Special, and Emergency Meetings:**

   a. Regular meetings of the Committee are held quarterly. The Committee will adopt an annual schedule identifying the time and location of regular meetings no later than the Committee meeting after the end of the third quarter. The Committee may modify this schedule at its discretion. The Committee Chairperson may modify this schedule if need arises due to conflict or lack of quorum.

   b. The Committee Chairperson or three committee voting members may call for special or emergency meetings of the Committee.

3. **Meeting Notices:**

   a. The Committee Chairperson must communicate anticipated dates for all quarterly meetings to the committee members after the annual meeting schedule is set by the Committee.

   b. The Committee Chairperson shall provide the members of the Committee with at least (7) seven calendar days notice of all non-emergency type Committee meetings.

4. **Committee Member Attendance:**

   a. Committee members must make every reasonable effort to attend the meetings of the Committee and the subcommittees on which they serve. If a Committee member cannot attend a meeting, the member should notify the Committee Chairperson as soon as practicable, but at least forty-eight (48) hours before any such meeting.

   b. A Committee member may participate in any meeting of the Committee by telephone or video conference.

   c. If a committee member fails to attend three consecutive meetings or a total of five meetings within that member's three year term, the committee member is deemed to have resigned effective the end of that third or fifth meeting as applicable. For members representing a department, the HRMD member shall notify the department of that person's deemed resignation by absence and request that it be filled as expeditiously as possible. For members that are not representing a department, the HRMD member shall notify the Committee of that person's deemed resignation by absence and request that the Committee determine whether the position needs to be filled to maintain the minimum membership. If a member who would be deemed to have resigned advises the Committee of the existence of exceptional circumstances associated with the absences,

the Committee may override the deemed resignation with a vote in which half of the voting members plus one additional member vote in favor of overriding the deemed resignation.

5. **Meeting Agendas:**

   a. The Committee Chairperson prepares an agenda for each Committee meeting. The agenda should contain a list of the specific matters to be discussed, considered or recommended at the meeting.

   b. The Committee may discuss, consider or make recommendations only on matters related to those listed in the agenda.

   c. Items may be placed on a Committee meeting agenda by any of the following:

      (1) By any Committee Member at a meeting of the Committee or by submission of an item to the Chairperson at least fourteen (14) calendar days before to the next scheduled meeting;

      (2) By the Committee Chairperson; or

      (3) By the Plan Administrator which is the Commissioners Court or its designee, through the Committee Chairperson.

6. **Meeting Materials:**

   a. The HRMD Benefits staff member who serves as administrative support for the Committee will make every effort to have the agenda, minutes, and meeting materials completed and distributed to the committee members at least seven (7) calendar days before each meeting.

   b. If there are significant or unusual issues, like the preparation of an RFP, to consider, the HRMD Benefits staff member who serves as administrative support for the Committee shall prepare a summary of the issues to be discussed, and a proposed motion for the Committee to consider, if applicable.

7. **Public Attendance at Committee Meetings:**

   a. All meetings of the Committee are public and all persons who wish to attend may do so.

   b. Matters raised by a member of the public may be discussed, but no action may be taken at that meeting. The Committee may request that the HRMD Benefits staff member who serves as administrative support for the Committee investigate the issue further and report back to the Committee at a later meeting.

   c. The HRMD Benefits staff member who serves as administrative support for the Committee convenes meetings in facilities and locations that provide the public with reasonable access.

8. **Closed Sessions**

   a. The Committee and its subcommittees may conduct business in sessions closed to the public and presided over by the Chairperson of the Committee.

b. Closed sessions shall be subject to the following conditions:

(1) The closed session must be held during a regular, special or emergency meeting of the Committee.

(2) The closed session must address only those subject matters related to the evaluation of investment options, the preparation of solicitations for contracts upon which it must make recommendations, the evaluation of responses to these or the negotiations related to such contracts. .

c. The Committee will make any final recommendation about a matter during the portion of the meeting that is open to the public.

d. Committee members should not publicly disclose discussions held in closed session until a final decision is made by the Commissioners Court on the matter. The Chairperson should remind the Committee of this at the beginning of each closed session.

9. Meeting Minutes and Committee Records

a. The HRMD Benefits staff member who serves as administrative support for the Committee will ensure that minutes of all meetings of the Committee and subcommittees are taken and made available to the members of the committee. After approval of the minutes, they will be made available for review by any county employee, upon request. Upon request, copies shall be made available to the public.

b. The HRMD Benefits staff member who serves as administrative support for the Committee will ensure that a written copy of the minutes taken at prior meetings is presented to the Committee for approval at subsequent meetings.

c. The HRMD Benefits staff member who serves as administrative support for the Committee maintains records of the Committee activities and actions in accordance with state law and such other documents necessary or appropriate to establish a due diligence record of the Committee's activities.

EXHIBIT "A"

COMMITTEE MEMBER EDUCATION POLICY

General

The County finds that it is critical for the sound governance of the Plan for Committee members to be fully informed about the nature, purposes, structure, and operational systems and processes of Plan. The County further finds that it is important that Committee members are provided with appropriate education and training in areas that will facilitate the performance of their governance and oversight responsibilities as Committee members.

Committee Member Education

1. Each Committee member is required to complete annual training regarding the County's fiduciary responsibilities, and is encouraged to seek other outside education to increase their knowledge of areas impacting the Plan (i.e. investments, asset allocation, etc.) The HRMD Benefits staff member who serves as administrative support for the Committee will coordinate annual fiduciary training, and provide additional opportunities to support informal continuing education on a quarterly basis.

2. Each Committee member is required to attend an annual fiduciary training session sponsored by the County.

3. Committee members are encouraged to attend select conferences and seminars as might become available relating to:

    a. Investment issues and trends;

    b. Retirement and deferred compensation benefits design;

    c. Fiduciary management of employee benefit trusts; and

    d. Other subjects related to the oversight of the Plan;

4. The HRMD Benefits staff member who serves as administrative support for the Committee will periodically provide to the Committee information on available conferences and seminars.

EXHIBIT "B"

COMMITTEE CODE OF ETHICS

General

The Committee has established the following Code of Ethics for the individual Committee member to comply with applicable state law and inform it of the duties of loyalty for fiduciaries for the Plan so that the Committee may provide appropriate information to the Commissioners Court.

The Committee recognizes that compliance with these requirements is often complex and confusing. Committee members are strongly encouraged to seek the advice of legal counsel whenever there is uncertainty about the required level of compliance.

Committee members are encouraged to contact the HRMD and/or the County Attorney's office for assistance in this area.

State Law

The Committee and its committee members will comply with, without limitation, the following state laws as they apply to the conduct of his or her affairs and to carrying out the duties of a member of the Oversight Committee Members of the Plan:

1. Conflict of interest laws;
2. Gifts and gratuities laws;
3. Contracts and procurement laws relating to supplies and services;
4. Disclosure of interest laws; and
5. Any and all other laws pertaining to Texas governmental deferred compensation plans.

Code of Ethics

The Committee Members shall:

1. Maintain the highest ethical conduct at all times consistent with the County's fiduciary duty to act only for the exclusive benefit of the Plan members and beneficiaries.
2. Avoid dealing with assets of the Plan for their own interest.
3. Conduct themselves with integrity and exercise care, prudence and diligence in handling the affairs of the Plan.
4. Avoid accepting gifts or gratuities prohibited by County policies or state law.
5. Avoid receiving any monetary or other valuable consideration for their personal account from any party conducting business with the Plan.
6. Avoid conflicts of interest and the appearance of conflicts of interest as defined under County policies or state law with respect to the County's fiduciary responsibility.

7. Disclose any conflict of interest or the appearance of such a conflict immediately, where one does exist, and refrain from participating in any manner or voting on the subject matter of the conflict.

8. Not act in any transaction involving the Plan on behalf of any party whose interests are adverse to the interests of the Plan or the participants and their beneficiaries.