Ventura County
401(k) Shared Savings Plan and Section 457 Plan
Investment Policy Statement

Article 1 Plan Information

The 401(k) Shared Savings Plan was established in 1985 and the Section 457 Plan was established in 1975. The 401(k) Shared Savings Plan is subject to section 401(k) and the 457 Plan is subject to section 457 of the Internal Revenue Code. The Plans are intended to comply with the Internal Revenue Code of 1986, as amended, and other applicable laws and regulations.

The Plans were established for the exclusive benefit of employee participants and their beneficiaries. The Plans are vehicles through which employees may accumulate assets (both on a pre-tax and after-tax basis) to provide for a portion of their retirement needs.

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

Article 2 Responsible Parties

2.01 *Plan sponsor*

The County of Ventura

2.02 *Trustee/investment manager*

Fidelity Investments
82 Devonshire Street
Boston, MA 02109

2.03 Investment consultant

SageView Advisory
1920 Main Street, Suite 800
Irvine, CA 92614

2.04 Deferred Compensation Committee

The Plans are monitored and administered by the Deferred Compensation Committee (Committee). The Committee has the continuing obligation to assess the suitability of the investment options and prudently monitor the options chosen. The Committee will maintain fiduciary standards by: acting solely in the interest of the Plans' participants and beneficiaries; maintaining the Plans and their assets for the exclusive purpose of providing benefits; acting with care, skill, prudence, and diligence as a prudent person would act

in a similar circumstance; offering diversified investment options to minimize risk unless it is prudent to do otherwise; and maintaining the Plans in accordance with governing laws and the Plan documents. The Committee will seek to obtain Plan services and investment options at a reasonable cost.

The Committee will establish and maintain this Investment Policy Statement (IPS) and execute the procedures described herein.

Article 3 IPS Purpose

The primary purpose of this IPS is to guide the Committee in the selection and monitoring of a diversified list of investment options from which participants can make individual investment selections. This IPS provides prudent procedures by which the Committee can exercise care, skill, prudence, and diligence in the monitoring and selection of investment options.

It is the intent of the IPS to provide a meaningful framework for the management of the Plans' assets, with the flexibility to respond to changing economic, business, and market conditions. It is intended that the objectives be sufficiently specific to be meaningful, but flexible enough to be practical.

The Committee will review the IPS at least annually to ascertain whether the IPS is in keeping with the regulations governing the Plans. Additionally, the Committee may amend this IPS at any time to reflect changes in procedures or to incorporate requirements based on new regulations.

This IPS applies to all investment manager(s) and investment consultant(s) providing investment services for the Plans. The investment manager(s) are those listed as trustees/investment managers in Section 2.02 and the investment consultant(s) are those listed as investment consultant (s) in Section 2.03. The investment manager(s) and investment consultant(s) will supply the Committee with all information necessary for the Committee to monitor the Plans' investment options pursuant to this IPS. The Committee encourages investment manager, investment consultant, and participant recommendations for changes to the IPS to ensure the IPS accurately reflects the varying needs of its participants within the bounds of fiduciary responsibility.

Article 4 Investment Selection and Monitoring Criteria

4.01 *Investment Choices*

The Plan intends to provide a broad range of investment alternatives. This includes having, at a minimum, three diversified investment alternatives that are sufficient in permitting the participants to materially affect the potential return and degree of risk

on their accounts and to minimize the risk of large losses. Diversification, however, does not ensure a profit or protect against loss in a declining market.

All investment choices will be publicly available mutual funds, institutional trusts, or similar vehicles. All investments being offered will fluctuate in value with market conditions and, when redeemed, may be worth more or less than the amount originally invested. Investment options will be selected on the basis of their compatibility with Plan participants' needs and regulatory recommendations. Each of the chosen investment options will be a specific stated investment objective.

4.02 *Qualified Default Investment Alternative (QDIA)*

Although the Committee intends that participants will direct the investment of their assets held under the Plan, there may be circumstances under which participants do not provide direction regarding the investment of their individual accounts. In such instances, participant accounts will be invested in the Plan's default investment alternative. The Committee's intention is for the Plan to offer a default investment option that generally complies with the conditions required of a QDIA investment option.

The Committee may elect to utilize a multi-asset class investment option, such as target-date funds, as the QDIA. Periodically, as participant demographics or market conditions require, the Committee shall review and document the process for monitoring and selecting the QDIA, taking into account such factors as the philosophy and goals of the Plan Sponsor as well as the needs and abilities of the participants and beneficiaries. If the Committee elects to utilize a target date fund series, the process should include the following criteria:

1. A determination with regards to glide path aggressiveness;
2. A review of appropriateness between "to" versus "through" funds;
3. Philosophy towards asset class diversification;
4. Committee preference between active or passive management.

The Plan's QDIA is the Fidelity Freedom K Funds. The specific target date portfolio for a participant or beneficiary who fails to make an investment election will be based on the participant's or beneficiary's date of birth and an assumed normal retirement date of age 65.

4.03 *Self-Directed Brokerage Account*

1. In an effort to provide investment flexibility, a self-directed brokerage option is offered in the Plan. The Plan's self-directed brokerage option, Fidelity BrokerageLink®, allows participants to invest in publicly-traded securities including stocks, bonds, and mutual funds, with the following exceptions: short sales, options, futures, limited partnerships, currency trading, and margin trades.

2. The Committee does not have discretion over individual investment options that are offered through Fidelity BrokerageLink® . Therefore, the Committee cannot remove an individual option from Fidelity BrokerageLink® .

3. The Committee may establish minimum amounts per transfer, minimum amounts to be kept in the standard Plan, or other limitations as the Committee deems prudent. The Committee will distribute communication materials to notify participants of these limitations. This communication will be distributed to participants in advance of the effective date of the limitation.

4. The Committee will evaluate the self-directed option provider in the areas of costs, service capabilities, and participant satisfaction.

4.04 *Fidelity Portfolio Advisory Service at Work®*

1. To provide participants who feel they do not have the expertise to thoroughly evaluate Plan investment options, determine an appropriate investment allocation, or monitor and change their holdings, a professional investment management service, *Fidelity Portfolio Advisory Service at Work®*, is offered in the Plan for an advisory fee.

2. The Committee can remove Fidelity Portfolio Advisory Service at Work® as an option at any time for any reason. The Committee will distribute communication materials to notify participants of the removal. This communication will be distributed to participants in advance of the effective date of the removal whenever practical.

4.05 *Selection of Investment Options*

The Investment Consultant takes a two-tiered approach to fund selection. Quantitative and qualitative screens are used as follows:

Quantitative Screening (including but not limited to):

- Investment track record

- Investment risk
- Investment risk/return
- Investment style analysis
- Performance consistency
- Investment cost
- Turnover ratio

Qualitative Screening (Investments that pass the quantitative screens will be reviewed for characteristics that include but are not limited to):

- Investment-style variations
- Portfolio concentration
- Asset size and growth

Interviews with portfolio managers and/or analysts will also be conducted if deemed necessary.

4.06 *Ongoing Monitoring of Plan Investment Options*

All Plan options (other than those held in BrokerageLink) will be reviewed by the Investment Consultant to ensure that there are no additional factors that would make them unsuitable for inclusion in the Plan. Each option will also be examined to ensure that it appropriately complements the overall diversification and risk and return parameters of the entire Plan investment lineup.

In addition to diversification and risk tolerance considerations, fund expenses will be considered in the selection of investment alternatives. The Committee will regularly review all costs associated with the management of the Plan's investment program in accordance with the intent set out in ERISA Section 408(b)(2) regulations. These costs include the following:

- Expense ratios of each investment option against the appropriate peer group
- Trustee and custodial fees for holding assets, collecting income and paying disbursements

- Plan administrative fees, including record keeping fees and other fees associated with services the Plan receives, such as compliance testing fees, audit fees, fees for communication services, etc.

4.07 *Evaluation Methodology*

1. Each Plan investment option (other than those held in BrokerageLink) will be evaluated on an ongoing basis using several measures that quantify the expenses, returns and risk-adjusted performance of each fund within its peer group.

2. Each Plan investment option (other than those held in BrokerageLink) will be reviewed at least annually against its peer group and benchmark index to assess the performance and quality of each offering. Each is evaluated using the following criteria (see Appendix B for definitions of each of the following criteria):

    1. Trailing one-, three-, five-, and ten-year returns
    2. Rolling 12-month returns (five years)
    3. Rolling 36-month returns (ten years)
    4. Sharpe Ratio (five years)
    5. Alpha (five years)
    6. Up Capture Ratio (five years)
    7. Down Capture Ratio (five years)
    8. Style Consistency to the appropriate index (R-Squared)
    9. Expense Ratio

3. As noted in Appendix A, each fund is benchmarked to a specific market index, and fund performance will be evaluated and compared to a relevant peer group using Morningstar category classifications. A fund is given a peer group ranking in each criterion, shown as a percentage. A ranking of 10% indicates a fund is in the top 10% of its peer group for this criterion. The rankings for all criteria are then weighted and averaged to give a fund its average ranking score. The lower the average ranking score, the better. For example, a fund with an average

ranking score of 25% would, in general, be more attractive than a comparable fund with a ranking score of 50%. Each evaluation measure requires a three-year history to ensure an accurate evaluation of the fund. Therefore, any fund with fewer than three years of history will not be evaluated using this method.

4. An overall ranking score is used to indicate where a fund places in relation to the scores of the other funds in its category. Generally, funds are divided into categories of deciles and quartiles.

5. In addition to the quantitative methodology described above, many qualitative criteria and possible warning signs are monitored in order to highlight a fund's potential exposure to risk that may make it unsuitable as a retirement plan investment option. The warning signs may include (but are not limited to):

   - Above-average operating expenses
   - Above-average style drift (as determined by returns-based and holdings-based analyses)
   - High degrees of portfolio concentration among individual holdings
   - High degrees of portfolio concentration among economic sectors
   - Above-average performance volatility
   - Above-average portfolio turnover
   - Below-average Alpha
   - Below-average manager tenure and/or above-average turnover
   - Rapid growth in fund assets
   - Significantly positive or negative cash flows
   - Unusual levels of corporate scrutiny; poor public perception
   - For bond portfolios, very low average credit quality relative to peers
   - For bond portfolios, significantly above- or below-average portfolio duration
   - Recent changes to or concerns with the firm structure / ownership
   - Recent changes to or concerns with the corporate management team structure

4.08 *Other Investment Evaluation Criteria*

1. The Committee recognizes that certain investment options present challenges in monitoring, given the nature of the investment option's portfolio and peer group. Thus, there are several instances where investment options will not fit neatly into the monitoring framework set forth herein. In such cases, the Committee will consider additional or different factors when evaluating certain investments. The following are common examples of investments requiring specialized analysis, whether the Committee has included them in the current menu or may consider doing so in the future.

    a. *Multi-asset class investments:* For multi-asset class investment options, such as target-date funds, the asset allocation and glide path should be evaluated taking into account factors such as generally accepted investment theories and prevailing investment industry practices, and goals of the Plan, the philosophy of the fiduciaries regarding asset class diversification and the desired relationship of risk (or volatility) and potential return, and the needs and abilities of the participants and beneficiaries. The Committee will engage in a process to identify and consider those goals, preferences, needs and abilities and to select investment options consistent with that analysis.

As the analysis techniques effective for comparing multi-asset class investments including target-date funds differ from the analysis used for other investment selections in several respects, criteria listed elsewhere in this Investment Policy Statement may not apply.

    b. *Index funds:* The goal of an index fund is to closely mirror the performance of a predetermined index at a reasonable cost. Thus fees and relative performance versus an appropriate index are the most important factors to consider. Fees should be low versus other passively managed investments with a similar mandate. Performance should closely track the intended index. An index fund's performance should not differ widely from the performance of its benchmark minus fees. Other qualitative evaluation criteria may also be considered when evaluating index funds.

2. In addition, the Committee shall maintain a "Watch List" for investment options that are not meeting certain objectives. An investment option will be placed on the "Watch List" when the Committee determines that the fund selected for the Plan fails to meet the performance benchmarks set forth above in the Evaluation Methodology for some period of time to be determined by the Committee.

3. The Committee may follow the procedure described below:

   a. Whenever an investment option falls into the 3rd quartile based on SageView's scoring system, it should be placed on the Watch List. The option will be monitored and remain on the Watch List for four consecutive quarters, even if its performance improves. If the option remains in the 3rd quartile for four consecutive quarters, a detailed review of the option should be made and a recommendation to replace or retain the option should be presented to the Committee. The option may be reviewed sooner at the Committee's discretion.

   b. Whenever an investment option falls into the 4th quartile based on SageView's scoring system, a detailed review of the option should be made as soon as possible or at the next Committee meeting, and a recommendation to replace (or retain) the fund should be presented.

   c. Investment options that fail to meet qualitative criteria (i.e.: manager changes, fund company reorganizations, strategy changes) will be put on the Watch List by the Committee.

4. In the sole discretion of the Committee, the Committee may terminate an investment option if it fails to meet the criteria required during the watch list period.

5. Upon termination of an investment option, participants' existing balances (as of the fund termination date) and future investment elections may be transferred to the Plans' default fund unless the Committee adopts a mapping strategy to another investment option within the Plan. Participants who hold a terminated option will be notified of the fund's closure and will be given the opportunity to change their investment elections prior to the mapping occurrence. As part of this notification, if applicable, participants may be advised they can continue investing in the fund through Fidelity BrokerageLink® . Participants who fail to change their investment elections by the fund's closure date will have their investment elections mapped to the Plans' default fund or another investment option as the Committee deems prudent.

6. The Committee shall have the authority to establish, modify, amend, or adjust acceptable performance measurement standards by which each investment option is to be evaluated.

7. Final selection, replacement and/or removal of an investment option shall be completed only after conducting a thorough review of the identified investment

option.

Note: The provisions of this Investment Policy Statement are guidelines only. The fiduciaries are not required to follow them. Instead, fiduciaries are expected to exercise independent judgment for the benefit of the participants

Article 5 Revenue Sharing

5.01 *Revenue Sharing*

The term revenue sharing will be used to describe any dollar amounts that are paid to Fidelity from any of the core or mutual fund window investment funds whether under a Rule 12b-1 agreement, sub-transfer agency fee agreement, or any other form of agreement under which the Plans' investment funds pay Fidelity a fee for the maintenance of participant investment account records. Revenue sharing dollars are received by Fidelity throughout the year according to the payment plan agreements in place with the various investment funds utilized by the Plan. The amount of revenue sharing attributable to the Plans is based on these revenue sharing agreements and the amount of money the Plans have in the respective investment funds that share revenue. The amount of revenue sharing received or credited to the Plans is accounted for by Fidelity. Fidelity will provide to the Committee a periodic reporting and reconciliation of the revenue sharing dollars. Like the expense ratio, the amount of revenue sharing offered by the investment funds will be regularly monitored as part of the review process. In addition, in selecting any new investment funds, if all other fund selection criteria are equal the amount of revenue share offered, if any, will be considered.

5.02 *Use of Revenue Sharing Dollars by the Plans*

1. The primary use of the revenue sharing dollars is to pay for what would otherwise be ERISA-allowable fees for services that the Plans would or could have paid directly from Plan assets, including Plan record keeping expenses.

2. Residual revenue sharing dollars, after payment to Fidelity for record keeping fees, will be deposited into a fund level account to pay for Plan related expenses or to be allocated to participants at the discretion of the Committee.

3. Any revenue sharing dollars in excess of the revenue retained by Fidelity under its trust agreement may be used to reimburse the Plans for other Plan-related expenses for service providers including, but not limited to, investment consultants, auditors, and/or legal counsel. These secondary fees are limited to what would otherwise be ERISA-allowable fees for services that the Plans would or could have

paid for directly from Plan assets. The trust agreement with Fidelity details how these revenue sharing dollars will be made available to the Plan, as well as the terms and conditions of their use.

4. The Committee will periodically review the balance of the excess revenue sharing account and may take steps including, but not limited to, rebating the proceeds in the excess account back to Plan participants or adjusting the fees paid by participants for Plan-related expenses.

5. The Committee has requested that Fidelity review the options available in the mutual fund window and provide the lowest appropriate share classes of the funds available to participants in the mutual fund window. This process will be reviewed annually by the Committee as it regularly monitors revenue sharing amounts.

6. The Committee will be responsible for determining which service providers and what types of services may be paid from revenue sharing dollars.

Article 6 Coordination with the Plan Documents

Notwithstanding the foregoing, if any term or condition of this IPS conflicts with any term or condition in the Plans, the terms and conditions of the Plans shall control.

This IPS shall remain in effect until revised or amended by the Committee.

We have reviewed this policy and agree to its terms and conditions.

Catherine Rodriguez, Chief Financial Officer	11/28/17 Date
Steven E. Hintz, Treasurer-Tax Collector	11 December 2017 Date
Jeffery Burgh, Auditor-Controller	11/16/17 Date
Shawn Atin, Director- Human Resources	11/16/17 Date
John E. Polich, Assistant County Counsel	11/16/17 Date

APPENDIX A – Categories and Benchmarks

Following is a list of asset categories, Morningstar peer universe and their corresponding benchmarks (index) used in investment option evaluation:

Investment Option Category	*Benchmark/Index*
Money Market-Taxable	BofAML US Treasury Bill 3 Mon TR USD
Stable Value	Hueler Stable Value Index
Bond	
Ultrashort Bond	Bloomberg Barclays US Govt/Credit 1-3 Yr TR USD
Intermediate Government	Bloomberg Barclays US Govt/Mortgage TR USD
Intermediate-Term Bond	Bloomberg Barclays US Agg Bond TR USD
Long Government	Bloomberg Barclays US Government Long TR USD
Long-Term Bond	Bloomberg Barclays US Govt/Credit Long TR USD
Inflation-Protected Bond	Bloomberg Barclays US Treasury US TIPS TR USD
High Yield Bond	Bloomberg Barclays US HY 2% Issuer Cap TR USD
World Bond	Bloomberg Barclays Global Aggregate TR USD
Emerging Markets Bond	JPM EMBI Global TR USD
Large Cap	
Large Value	Russell 1000 Value TR USD
Large Blend	S&P 500 Index
Large Growth	Russell 1000 Growth TR USD
Mid-Cap	
Mid-Cap Value	Russell Mid Cap Value TR USD
Mid-Cap Blend	Russell Mid Cap TR USD
Mid-Cap Growth	Russell Mid Cap Growth TR USD
Small-Cap	
Small Value	Russell 2000 Value TR USD
Small Cap Blend	Russell 2000 TR USD
Small Growth	Russell 2000 Growth TR USD

Investment Option Category	*Benchmark/Index*
World Stock	MSCI ACWI NR USD
International	
Foreign Large Value	MSCI ACWI ex USA Value NR USD
Foreign Large Blend	MSCI EAFENR USD
Foreign Large Growth	MSCI ACWI ex USA Growth NR USD
Foreign Small/Mid Value	MSCI ACWI ex USA SMID Value NR USD
Foreign Small/Mid Blend	MSCI ACWI ex USA SMID NR USD
Foreign Small/Mid Growth	MSCI ACWI ex USA SMID Growth NR USD
Diversified Emerging Markets	MSCI EM NR USD
Target Date	
Target Date	S&P Target Date Indexes (aligned by vintage year)
Risk-based/Hybrid	
Allocation—15% to 30% Equity	23% Russell 3000 TR USD/77% Bloomberg Barclays US Agg Bond TR USD
Allocation—30% to 50% Equity	40% Russell 3000 TR USD/60% Bloomberg Barclays US Agg Bond TR USD
Allocation 50% to 70% Equity	60% Russell 3000 TR USD/40% Bloomberg Barclays US Agg Bond TR USD
Allocation—70% to 85% Equity	78% Russell 3000 TR USD/22% Bloomberg Barclays US Agg Bond TR USD
Allocation—85%+ Equity	93% Russell 3000 TR USD/7% Bloomberg Barclays US Agg Bond TR USD
World Allocation	60% MSCI ACWI NR/40% Bloomberg Barclays Global Agg TR
Appendix updated: November 16, 2017	

APPENDIX B – Definitions of SageView Investment Ranking Criteria

1. Alpha – A risk-adjusted measure of performance, that is equal to the difference between a portfolio's actual return and its expected performance given its level of risk as measured by beta. Alpha can also be viewed as an abnormal level of return in excess of what might be predicted by an equilibrium pricing model like the Capital Asset Pricing Model (CAPM).

2. Sharpe Ratio – A risk-adjusted measure of performance that is calculated by subtracting the risk-free rate of return (the US Treasury Bill is typically used) from the portfolio return, and dividing the result by the portfolio's standard deviation. A higher Sharpe ratio indicates that the portfolio was able to generate a higher return per unit of risk.

3. Up Market Capture Ratio – A ratio that measures the overall performance of a portfolio during rising markets. This measure analyzes how well a portfolio (or an investment manager) performed relative to its benchmark index during periods when the benchmark rose. For example, an up-market capture ratio of 108% (for a given period of time) means that the portfolio gained 8% more than its benchmark during the specified time period.

4. Down Market Capture Ratio – A ratio that measures the overall performance of a portfolio during falling markets. This measure analyzes how well a portfolio (or an investment manager) performed relative to its benchmark index during periods when the benchmark fell. For example, a down-market capture ratio of 95% (for a given period of time) means that the portfolio lost 5% less than its benchmark during the specified time period.

5. Expense Ratio – The percentage of fund assets, net of reimbursements, used to pay for operating expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs. Fund expenses are reflected in the fund's NAV. Sales charges are not included in the expense ratio. The Prospectus Net Expense Ratio is collected annually from a fund's prospectus.

6. R-Squared – A statistical metric that ranges from zero to 100 and measures the percentage of portfolio's performance that is explained by the movement of its benchmark index. R-Squared is helpful in assessing the reliability of alpha and beta in explaining a portfolio risk and return characteristics. An r-squared of 100 would mean that the portfolio's performance movements are perfectly correlated with those of the benchmark over time, and would suggest that alpha and beta may be relied upon with a high degree of confidence.

7. Rolling Period Returns (12 and 36 months) – A single period return measures performance over one specified time frame, such as three years. A rolling period return divides a longer time frame into smaller time periods. A rolling 12-month return over three years would start out by calculating a single period return over the first twelve months. Next, it would calculate the 12-month return for months 2-13. The process would continue until finally reaching the 12-month period spanning months 24-36. The final rolling 12-month return figure would reflect the average of all of the rolling periods returns over that three-year time period.

8. Total (Time Period) Return (trailing 1, 3, 5 and 10 year returns) – measures the performance of an investment over a given period, including income from dividends and

interest, plus any appreciation or depreciation in the market value of the investment. Total return values longer than 1 year are typically annualized for ease of comparison.

APPENDIX C – Definitions of SageView Index Funds Ranking Criteria

1. Expense Ratio – The percentage of fund assets, net of reimbursements, used to pay for operating expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs. Fund expenses are reflected in the fund's NAV. Sales charges are not included in the expense ratio. The Prospectus Net Expense Ratio is collected annually from a fund's prospectus.

2. Tracking Error – A measure of the difference in returns between an investment and a benchmark. Tracking error is reported as a standard deviation of the difference between the returns of an investment and its benchmark.

3. R-Squared – A statistical metric that ranges from zero to 100 and measures the percentage of portfolio's performance that is explained by the movement of its benchmark index. R-Squared is helpful in assessing the reliability of alpha and beta in explaining a portfolio risk and return characteristics. An r-squared of 100 would mean that the portfolio's performance movements are perfectly correlated with those of the benchmark over time, and would suggest that alpha and beta may be relied upon with a high degree of confidence.

4. Beta – A measure of the volatility, or systematic risk, of an investment in comparison to a market index as a whole. Beta is calculated using regression analysis. Beta represents the tendency of an investment's returns to respond to moves in the market or index that it's calculated against. A beta of 1 indicates that the investment's price moves with the market. A beta of less than 1 means that the investment is theoretically less volatile than the market. A beta of greater than 1 indicates that the investment's price is theoretically more volatile than the market. The reliability of an investment's beta is a function of the investment's r-squared value in relation to the benchmark. A high r-squared value signifies that the beta measures is reliable, while a low r-squared signifies that it is potentially inaccurate.