Flathead Valley Community College non-ERISA Retirement Plans
Investment Policy Statement
Approved: March 2017

Introduction

Flathead Valley Community College (FVCC) is a public education institution in the State of Montana. FVCC offers several retirement programs to eligible employees including: a 403(b) public education plan, a 401(a) governmental plan and a 457(b) deferral compensation plan. As a public education institution and a state entity, FVCC's retirement plans are statutorily exempt from all requirements of the Employee Retirement Income Security Act of 1974 (ERISA). It is College's intent to adopt this Investment Policy Statement as a governance best practice for its retirement plans.

Purpose

This Investment Policy Statement (IPS) describes the long-term investment objectives of Flathead Valley Community College (FVCC) defined contribution and deferred compensation plan assets held a MassMutual Financial Service[1]. The IPS establishes investment principles for the plan, creates guidelines for evaluation of investment decisions and confirms the plan's intent to reach a best practice standard its retirement plans.

This investment policy statement is intended to assist the FVCC Investment Committee in ensuring that the investments under the plan:

- Are selected and monitored in accordance with the appropriate plan and investment standards
- Are consistent with the plan's exclusive purpose of providing retirement benefits to plan participants and their beneficiaries

Statement of Investment Objectives

The plan will offer a broad range of investments (no fewer than ten diversified options) that:

- Have materially different risk-and-return characteristics
- Enable participants to select investments with risk-and-return characteristics that are appropriate for their risk tolerance, savings time horizon and financial goals
- Minimize overall investment risk through diversification
- Ensure that investment fees and expenses are reasonable

Investments will be chosen on the basis of compatibility with plan objectives and participant demographics.

The plan intends to provide an appropriate range of investments that represent various risk-and-return alternatives. Together, these investments should permit plan participants to create self-directed portfolios consistent with their individual goals and circumstances.

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[1] Some FVCC plan participants maintain individual annuity contracts and/or custodial accounts with former plan providers. These contracts and accounts were initiated as self-directed investments made by plan participants; and consequently, the Investment Policy Statement is not intended to be used as guidance for these investments.

The plan will offer mutual funds with the following investment objectives:

- Growth - These funds invest primarily in the stocks of companies that have the potential for above-average gains. These companies often times pay small or no dividends, and their stock prices tend to have the most ups and downs from day to day.
- Growth and Income - These typically invest in the stocks of companies that pay dividends and have good prospects for earnings growth. They can also invest in bonds, which provide income. They're generally less risky than growth investments because the income from dividends and bonds can help cushion the ups and downs of price fluctuations.
- Equity Income - These invest primarily in dividend-paying stocks and bonds. Because equity-income funds don't place a primary emphasis on growth, they tend to produce lower returns compared to growth funds during upswings in the stock market. The emphasis on income, however, can soften the impact of a stock market downturn.
- Balanced – These invest primarily in a combination of stocks, bonds and cash-equivalent investments. Over the long term, they seek growth of both capital and income. Balanced funds tend to produce more income than do growth funds, which can help returns during a stock market downturn. At the same time, they tend to have lower returns than growth funds during a market upturn.
- Bond - These invest in bonds and are designed to provide regular income from interest paid by the bonds they hold. Since bond investments seek to produce income, they can sometimes help investors ride out stock market downturns. But they also tend to have lower returns than growth funds during a stock market upturn.
- Cash-equivalent – These invest in short-term securities such as U.S. Treasury bills and CDs. Although cash-equivalent funds aren't federally insured or guaranteed, they aim to preserve the initial investment.
- Asset Allocation - These invest primarily in a combination of stocks, bonds, and cash-equivalent investments in a portfolio style configuration that is characterized as Aggressive (100% equity) through Conservative/Income. Over the long term, they seek growth of both capital and income as appropriate to their style allocation.
- Target Date – These attempt to balance investors' needs for both growth and stability by automatically adjusting fund holdings as investors near their retirement dates, shifting from a higher percentage of growth funds to a higher percentage of income-oriented funds. They're designed to serve as a single diversified investment.

Guidelines for Evaluating Investment Decisions
To ensure continued compliance with the objectives of this investment policy statement, periodic review of the plan's investments will be conducted on at least an annual basis. The results of the review and the evaluative material used in the review process will become part of the records maintained by the plan conducting the review. This documentation will include reasons for continuing to offer particular investments or for removing or replacing them.

In reviewing existing investments, we will consider the following:

- Do the investment's objectives remain consistent with the plan's overall investment objectives and goals?
- Does each investment remain adequately diversified within the plan's overall investment lineup?

- When assessing the results of each investment, we will take the following factors into account:
  - The nature and quality of the investment management services provided to the plan
  - The experience and qualifications of the personnel and companies providing the investment management services
  - The general conditions and trends prevailing in the economy, securities, markets and mutual fund industry
  - A comparison of the investment results with industry benchmarks over a series of different time horizons to avoid over-emphasizing short-term result
  - The fee structure and expense ratio of selected investments as compared to other alternatives available in the marketplace

Participant Involvement, Education, and Communication

The plan will communicate to employees that they have control over their individual accounts and are responsible for the investment decision they make. The plan will provide educational material designed to help participants make informed decisions.

To enable participants to exercise control over their individual accounts, participants can:

- Choose from a broad range of investments and diversify their portfolios within and among those investments
- Submit investment instructions with a frequency that's appropriate in light of economic considerations and/or personal changes that may change their investment allocations

Participants will choose investments for their accounts from among those available in the plan. They may execute exchanges among plan investments as often as permitted by the rules adopted for the plan, but must be given the opportunity to do so no less frequently than quarterly. The plan includes an appropriate default investment option that meets DOL regulations.

Investment Committee Construct

The Investment Committee is a five member committee with representation from campus employee groups. The Executive Director of Human Resources as the Plan Administrator will always be a standing member of the Committee. The other four members will serve on staggered three year terms, which may be renewed. The committee will meet once per year during the 3rd quarter of the College's fiscal year to conduct the reviews.