

Oxnard Union High School District Retiree Health Benefits Trust

Investment Policies, Guidelines, and Objectives

Revised and Adopted – February 6, 2020

Introduction

This document establishes the investment policies, guidelines and objectives of the Oxnard Union High School District Benefit Trust (the “Trust”), and it will be used to facilitate an understanding between the Board of Trustees (the “Board”) and the Trust’s investment advisors and managers. As such, this document expresses the position of the Board with respect to risk, return on assets, and diversification, and it also sets forth specific objectives, guidelines, and limitations for the management of the Trust’s assets.

General Information

The Trust is maintained exclusively to provide retiree health and welfare benefits for eligible retired employees of the Oxnard Union High School District and their dependents. The Board is responsible for oversight of the Trust’s assets, and as such it will review the performance of the Trust and the investment managers’ conformity to the Trust’s guidelines. In this capacity, the Board may choose a corporate custodian, trustee and/or investment counsel to provide services necessary for it to perform its obligations as set forth in the policy statement.

Investment Plan

The following investment plan has been adopted by the Board and may be amended as necessary:

Policy

The Trust shall be invested to provide safety through diversification in a portfolio of common stocks, bonds, cash equivalents and other investments which may reflect varying rates of return. The overall rate of return objective for the portfolio is a reasonable "real" rate consistent with the risk levels established by the Board.

The investments shall also be diversified within asset classes (e.g., equities shall be diversified by economic sector, industry, quality, and size). Portfolio diversification provides protection against a single security or class of securities having a disproportionate impact on aggregate performance.

Investment Objectives

Return: The long-term (ten or more years) return objective shall be to exceed the Discount Rate used in the Actuarial Valuation. In addition, over a full market cycle the return should meet or exceed the return of the market, defined as the asset allocation policy applied to the Russell 3000, MSCI ACWI ex-U.S., the Barclays Capital Aggregate Bond indices, and the Diversified Real Asset Benchmark. The investment portfolio will also be tracked against an attribution index made up of a blend of passive indices that reflects the proportional allocation to different asset classes within the portfolio. The attribution index will be listed in performance reports.

Risk: The objective is to mitigate the risk of capital loss through diversification. In addition, the portfolio should experience volatility of returns commensurate with the market. The market is defined as the portfolio's asset allocation policy applied to the Russell 3000, MSCI ACWI ex-U.S., the Barclays Capital Aggregate Bond indices, and the Diversified Real Asset Benchmark.

Asset Allocation

The long-term target asset allocation of the investment portfolio is determined by the Board to achieve the Trust's long-term investment objective within the established risk parameters. The allocation is based on an investment time horizon in excess of ten years. Due to the fact that the allocation of funds between asset classes may be the single most important determinant of the Trust's investment performance over the long run, the Trust's assets shall be divided into asset classes as follows:

	<u>Maximum %</u>	<u>Minimum %</u>	<u>Target %</u>
Equities	75	50	65
Domestic	55	30	40
Large Cap	45	20	30
Small/Mid Cap	20	5	10
International	35	15	25
Fixed Income	50	20	30
Real Assets	10	0	5

The actual asset allocation, which will fluctuate with market conditions, will receive the regular scrutiny of the Board, which bears the responsibility for making adjustments in order to maintain target ranges and for making any permanent changes to the policy.

Equities

The purpose of the equity segment is to provide principal appreciation that exceeds inflation. The combination of domestic and international equities is intended to provide portfolio diversification and minimize the overall volatility of the equity segment. It is recognized that equity investments carry greater market price variability and risk than other asset classes.

Assets not committed to fixed income and cash shall be allocated to equities. The domestic equity component (including large cap core/value/growth and small/mid cap) of the Fund should represent approximately 40% of the total assets at market value, while the international equity component should represent approximately 25%. Although the actual percentage in equity investments will vary with market conditions, levels in excess of 75% or below 50% will require authorization by the Board.

Fixed Income

The purpose of the fixed income segment is to provide a hedge against deflation, protect against disinflation, provide a stable component of return, and minimize the overall volatility of the Trust.

The percentage of assets allocated to fixed income should be sufficient to ensure that neither the current income nor the principal value of the Trust declines by an intolerable amount. The fixed income segment should normally represent approximately 30% of the total assets at market value. Although the actual percentage will fluctuate with market conditions, levels of less than 20% or in excess of 50% will require authorization by the Board.

Real Asset

The purpose of the Real Asset segment is to represent claims on future streams of inflation sensitive income, protect against unanticipated inflation and to capitalize on rising commodity prices. This segment plays an important diversifying role in the portfolio as assets in this segment have a tendency to outperform during periods of rising inflation. The real assets component should represent approximately 5% of the portfolio.

The investment objective for the liquid real asset segment is to outperform the custom Diversified Real Asset Benchmark. (35%, US TIPS, 20% S&P Global Infrastructure, 20%, S&P Global Natural Resources, 15%, Bloomberg Commodity Index, 10%, FTSE EPRA/NAREIT Global Index).

Cash Equivalents

The percentage of total assets allocated to cash equivalents should be sufficient to assure enough liquidity to meet disbursements and general operational expenses.

Cash equivalents may also be used as an alternative to other investments when the investment manager feels that other asset classes carry higher than normal risk. In addition, cash equivalents may be used as a vehicle to temporarily hold assets until they can be invested.

Cash Flows and Portfolio Rebalancing

New cash flow shall be allocated to investment managers by the Board. As a general rule, new cash will first be used to rebalance the total fund in accordance with the target asset allocation policy. Additional rebalancing will also be implemented through disbursements and transfers among investment managers. The purpose of rebalancing is to maintain the risk/reward relationship implied by the stated long-term asset allocation targets.

Transaction Guidelines

All transactions should be entered into on the basis of best execution (best realized net price). Subject to the above, reasonable commissions may be designated for payment of services rendered in connection with the day to day management of the assets. All fees, commissions and other transaction costs shall be reported as requested by the Board.

Performance Monitoring

All guidelines and objectives shall be in force until modified in writing by the Board.

Investment managers' performance will be reviewed by the Board on a quarterly basis. The Trust's investment consultant will provide a quarterly report in order to facilitate to Board's review process.

Roles and Responsibilities

The Board may engage various financial service providers to assist in fulfilling its fiduciary responsibilities. In order to clarify the roles of these service providers, a description of each is each is provided below:

- The *investment consultant's* role is to advise on investment policies, asset allocation strategies, investment manager selection, and to monitor investment performance on an ongoing basis.
- The *investment managers* construct and manage a portfolio of individual stocks or bonds based on the specific allocation or mandate assigned to them. Investment managers may manage a portfolio for an individual client or as part of a commingled vehicle such as a mutual fund.
- A *custodian* holds or takes custody of the individual securities in a portfolio. A custodian may hold securities for an individual account or for a commingled vehicle such as a mutual fund. A custodian may also hold the shares of a mutual fund itself.

Managers' Investment Objectives and Guidelines

General Guidelines for All Managers

The investment managers shall have complete discretion in the management of the assets subject to the guidelines set forth herein. Mutual funds or commingled funds may be used in any category of investment management. When one is selected, however, it is expected that the fund(s), will be consistent with the guidelines set forth herein. Any exceptions to these Guidelines shall be listed in the Appendix under Exceptions to Investment Manager Guidelines.

Cash equivalents may be held in any manager's portfolio at the manager's discretion so long as the securities used comply with the guidelines established for Fixed Income Managers. Managers will be evaluated, however, based upon their performance relative to the appropriate benchmark, regardless of the amount of cash equivalents held during any performance measurement period.

Fixed Income Managers

The purpose of the fixed income segment is to provide a hedge against deflation, provide a stable component of return, and to minimize the overall volatility of the fund.

Fixed Income Instruments

The fixed income asset class includes the fixed income markets of the US and world economies. It includes, but is not limited to, US Treasury and government agency bonds, US and non-US dollar denominated securities, public and private corporate debt, mortgage and asset-backed securities, non-investment grade debt, and currencies. Also included are money market instruments such as commercial paper, certificates of deposit, time deposits, bankers' acceptances, repurchase agreements, and US Treasury and agency obligations. The investment managers shall take into consideration credit quality, sector, duration and issuer concentrations in selecting an appropriate mix of fixed income securities. Investments in fixed income securities should be managed actively to pursue opportunities presented by changes in interest rates, credit ratings and maturity premiums.

The allocation to investment strategies will be managed to maintain an average intermediate duration at the level of the overall fixed income segment. The investment objective for the total fixed income segment is to outperform the Barclays Global Aggregate Index over a normal investment cycle.

Quality and Limitations

Investment grade issues (Moody's or S&P rating of Baa/BBB or better should be emphasized; however, the investment manager may invest up to 10% in below investment grade securities. The manager may also invest up to 30% of the portfolio in securities denominated in foreign currencies and may invest beyond this limit in U.S. dollar denominated securities of foreign issuers. The average quality of the overall portfolio should be A or better.

Diversification

It is also expected that, in general and unless specifically noted in the Appendix, the fixed income portfolios shall be well-diversified with respect to sector, industry, and issuer in order to minimize risk.

Investments in securities of a single issuer (with the exception of the U.S. government and its fully guaranteed agencies) should not exceed 5% of the portfolio.

Duration

It is expected that the weighted average duration of the portfolio(s) shall be within 25% (plus or minus) of the duration of the Barclays Capital Aggregate Bond Index.

Derivatives

Derivatives are financial instruments that derive their value from the value of some underlying security or asset. The portfolio may be invested in derivative instruments, such as options, futures contracts or swap agreements, and mortgage or asset-based securities.

Benchmarks

I. Fixed Income

The benchmark for the fixed income portfolio shall be the Barclays Capital Aggregate Bond Index. The manager's performance should exceed the index, net of fees, and should also place above the median of an appropriate peer group of managers over rolling three and five year periods.

Equity Managers

The investment objective for the overall equity segment is to outperform the MSCI ACWI, net of fees, over a three to five year period. The performance of each equity manager will be measured against appropriate benchmarks for each investment style as well as against a universe of managed funds. In addition to short-term performance reviews, the managers will be evaluated over rolling three and five year periods.

Specific portfolio management decisions, including security selection, size, quality, number of industries or holdings, emphasis on income levels, and portfolio turnover are left to the manager's discretion subject to standards of fiduciary prudence and the guidelines set forth herein.

Certain guidelines for portfolio diversification as well as on limitations on the use of certain securities are the same for all equity managers unless specifically noted within a specific style category. Exceptions to these guidelines will be specifically identified in the Appendix.

Equity Securities

Subject to limitations noted below, investment managers may invest in equity securities listed on the principal U.S. exchanges or traded in the over-the-counter markets, including American Depository Receipts ("ADR's"). Managers selected as "International Managers" may also invest in the ordinary shares of non-US companies.

Diversification and Limitations

In no case (excepting mutual fund shares), or without waiver by the, shall a single security exceed 10% of the market value of the total equity segment.

It is the intent of these guidelines to direct managers to construct portfolios that are well diversified across industries and economic sectors.

While the use of ADRs is permitted, it is the intent of the Trust that the domestic equity portfolio(s) primarily reflect the domestic equity markets.

Benchmarks

I. Large Cap Core

The goal of the large cap core segment is to perform in line with the S&P 500.

II. Large Cap Domestic Growth

The investment objective for the Large Cap Domestic Growth segment is to outperform the Russell 1000 Growth Index, net of fees, and also place above the median of an appropriate peer group of managers over rolling three to five year periods.

III. Large Cap Domestic Value

The investment objective for the Large Cap Domestic Value segment is to outperform the Russell 1000 Value Index, net of fees, and also place above the median of an appropriate peer group of managers over rolling three to five year periods.

IV. Small/Mid Cap Domestic Equity

The investment objective for the Small/Mid Cap segment is to outperform the Russell 2500 Index, net of fees, and also place above the median of an appropriate peer group of managers over rolling three to five year periods.

V. International Equity

The investment objective for the International Equity segment is to exceed the MSCI ACWI ex-U.S., net of fees, and also place above the median of an appropriate peer group of managers over rolling three and five year periods.

Real Assets Managers

I. Real Assets

The investment objective for the Real Asset segment is to exceed the Diversified Real Asset Benchmark, net of fees, and also place above the median of an appropriate peer group of managers over rolling three and five year periods.

Appendix - A

Exceptions to Investment Manager Guidelines