



Investment Policy Statement

**University of Maine System
Defined Contribution
Retirement Plans**

2019



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-1- Statement of Purpose

The primary purpose of the University of Maine System Defined Contribution Retirement Plans (the “Plans”) is to provide a retirement benefit for Plan participants and their beneficiaries by offering the opportunity for long-term capital accumulation.

The Plans are structured to offer participants and their beneficiaries a core set of reasonably priced investment options with different risk and return characteristics, which, when combined, will allow for the construction of a portfolio intended to match most participants’ unique retirement investment objectives.

Assets within the Plans may consist of contributions made by both participants and by the University of Maine System (the “University”). The contributions of the University are vested following the schedule outlined in the Plan Document. All assets are subject to the investment direction of eligible participants or their beneficiaries.

-2- Policy Goals & Objectives

The Investment Policy Statement (IPS) is designed to provide meaningful direction in the management of Plan investment options to the Board of Trustees, University System Administration, and the designated Investment Consultant, all who serve as Investment Fiduciaries to the Plans. The IPS is a guideline for the Investment Fiduciaries in fulfilling their responsibilities to exercise considered judgment in acting solely in the long-term interest of Plan participants and their beneficiaries. There may be specific circumstances that the Investment Fiduciaries determine warrant a departure from the guidelines contained herein. In general the IPS:

- Establishes the roles and responsibilities of the Plans’ Investment Fiduciaries;
- Identifies appropriate investment asset classes for inclusion in the Plans’ menu of investment options;
- Establishes a prudent process for selecting appropriate investment options to be made available for participant direction;
- Designates an investment option to which all assets will be directed by the Plan Sponsor in the absence of a positive election by a participant or beneficiary, which will serve as the Plans’ Default Investment Alternatives;
- Establishes a prudent process by which selected investment options generally will be monitored for compliance with this IPS;
- Develops model methods for adding new investment options and for replacing existing investment options that do not comply with the terms of the IPS.

-3- Roles & Responsibilities- Investment Fiduciaries

The University System Administration and Board of Trustees Investment Committee:

Although it is intended that participants will direct the investment of their accounts under the Plans, the University working through the Board of Trustees Investment Committee selects will the array of investment options available for participant investment and provides on-going oversight of those investment options. In addition, with respect to a Self-Directed Brokerage Account (SDBA) option, the Committee will oversee selection and ongoing due diligence of the provider and features of the SDBA.

Board of Trustee Bylaw Section 3.1 identifies the Investment Committee as a Standing Committee of the Board and a separate document, called Investment Committee Duties and Responsibilities, further defines the Committee's responsibilities.

The Committee normally will review, at least on an annual basis, the acceptability of the universe of investment options made available within the Plans' chosen administrative environment. The Committee will review the Plans' investment options following the regimen outlined later in this IPS.

The Committee intends to discharge its fiduciary responsibilities with respect to the Plans with the assistance of an independent Investment Consultant.

Plan Investment Consultant:

Responsibilities of the Investment Consultant include:

- Educating the Committee on issues concerning the selection of investment options for the Plans;
- Assisting in the analysis and selection of investment options to be made available for participant investment;
- Assisting the Committee with the on-going review of the investment universe made available within the Plans' chosen administrative environment;
- Assisting the Committee with the review of the performance of the selected investment options, on at least an annual, but more often a quarterly basis, in comparison to their stated objectives and their relative performance and pricing as compared to their peers and designated benchmarks;
- Assisting the Committee in the selection of additional or replacement investment options to be made available for participant investment;
- Bringing information to the Committee, on an ad hoc basis as appropriate, that the Consultant feels may alter the Committee's assessment of a given investment option, asset class or strategy.
- Assisting the Committee with due diligence regarding the SDBA option including but not limited to consideration of the provider's experience and reputation, reasonableness of fees and

trading expenses, the ability of the provider to distribute related funds prospectuses and other related investment materials, and the appropriateness of related transaction and other disclosure notifications.

-4- Plan Investment Asset Classes

The Plans' investment menu is structured in accordance with modern portfolio theory which holds that the asset allocation decisions among a broad range of investment alternatives is the most critical determinant of a portfolio's long-term success or failure. The Committee's goal is to offer a core set of diversified investment options that represent a broad range of different asset classes with different risk and return characteristics.

The Plans' investment menu may include, but are not limited to, options from the following broad asset classes: Capital Preservation, Fixed Income, Asset Allocation, including Balanced, Target Risk, Life Cycle and/or Target Date, Domestic Equity, International Equity and Specialty. These asset classes are described in more detail in CAPTRUST's Investment Policy Monitoring Methodology document.

-5- Investment Selection

The Committee has structured the Plans to offer participants and their beneficiaries a core set of reasonably priced investment options with different risk and return characteristics. Selection of these investment options is done in the context of the Plans' administrative environment (e.g., Non-ERISA, 403(b), 457(b), 401(a)) which can impact the number, type and cost of investment options available to the Plans. The Committee may also consider the method and payment of Plan expenses which can be altered by investment related decisions.

Regarding the asset classes represented within the Plans, the following screening criteria are among those applied to the available actively managed funds:

Fees – All investment options must charge “reasonable” fees to investors. The expense ratio for a given investment should generally fall below the average expense ratio for the peer group. Exceptions may be made for investment options that the Committee feels may produce performance that would justify higher than average fees.

Style Consistency – Since each investment option is chosen to fulfill a specific part of the Plan's overall investment menu, investment options should have demonstrated a consistency in

investment style and performance. Some variation can be allowed when an investment option's given style moves in and out of favor, or when an investment option's successful investments outgrow their initial investment classification.

Volatility and Diversification – Unless chosen to deliver investment performance that is characteristic of a specific industry or sector of the investment spectrum, investment options generally will be broadly diversified portfolios and will avoid unreasonable overweighting in a given investment, industry or sector. Volatility, as measured by Standard Deviation of returns, should be within reasonable ranges for the given peer group. Other risk measures and ratios, including Sharpe ratio, information ratio and beta, may be used as well.

Performance – With few exceptions, all actively managed investment options should rank in the top 50% of their given peer group for the 3 or 5 year annualized period at the time of their selection. While past performance is not indicative of future returns, peer-relative performance offers the Committee perspective on how the investment option has performed over a reasonably demonstrative period of time relative to other choices. In addition to performance, the Committee will consider other variables including but not limited to fees, investment style purity, and risk management practices, in order to develop a holistic view about a strategy and its appropriateness within the Plans. Passively managed index funds do not need to meet the same ranking criteria; rather, such measures as tracking error to the stated benchmark are more important measures of performance.

Management & Organization – Manager tenure and industry experience are values to be emphasized, as is the strength and expertise of an investment option's sponsoring organization. Sponsoring organizations are generally expected to adhere to accepted standards of ethical practice and to comply with all appropriate securities regulations. When necessary, preference will be given to investment management organizations with a proven commitment to the interests of long-term shareholders.

Additional Factors – In addition to the above factors, the Committee will also consider other factors, which may be less tangible, including fund specific situations and anomalies in the capital markets or in the Plans' unique situation.

After inclusion in the Plans each investment option is expected to maintain a high level of acceptability as described in the Investment Evaluation section of the IPS.

-6- Investment Evaluation

With the assistance of the Investment Consultant, the Committee will monitor the investment options made available within the Plans to ensure they remain compliant with the criteria used to initially select them for inclusion in the Plans under this IPS or such other or additional criteria as appropriate. As part of that process, the Consultant will rank investment options relative to their peers using a comprehensive proprietary Scoring System (see the Investment Policy Monitoring Methodology document)

The following criteria provide an outline for the evaluation process:

- On a periodic basis (e.g., quarterly), the Plans' Investment Consultant will provide the Committee with a comprehensive report of each investment option's relevant performance and relative rankings against appropriate indexes and within appropriate peer groups. The Investment Consultant will review the report with the Committee at least annually, but generally on a quarterly basis.
- The Investment Consultant will also communicate with the Committee on an ad hoc basis, as appropriate, concerning any material changes affecting any of the selected investment options. Material changes may include management changes, changes to the investment option's pricing structure or significant changes in the investment option's fundamental policies and procedures.
- The Committee normally will meet with the Investment Consultant, at least annually, to evaluate each investment option as well as the overall status of the Plans' Investment Policy Statement.
- If the Investment Consultant's proprietary Scoring System indicates that a given investment option may no longer meet the appropriate and reasonable standards required to remain included in the Plans' menu, the Consultant will make appropriate recommendations to the Committee.

-7- Replacement of Selected Investment Options

Since the intention of the Plan is to provide opportunities for long-term asset accumulation for participants and beneficiaries, it is not expected that either the investment asset classes or specific investment options will be changed or deleted frequently.

It is possible that changes may become desirable or necessary, however, based on the following factors:

- The addition of a new asset class or investment alternative that was not a part of the Plan's initial menu. Such an addition will be subject to a similar selection regimen to that outlined earlier in the IPS;

- The elimination of a given asset class from the Plans' menu.
- The desire to replace one of the Plans' investment options with another investment option that the Committee feels will more successfully deliver the desired asset class characteristics. Reasons may include, for example, the availability of options that were not initially open for Committee consideration, or a change in the performance or fee structure of a competing option. It may also be true that a given investment option is no longer available through the Plan's chosen administrative environment. Investment options can be removed or changed after a thorough comparative review using the regimen outlined earlier in the IPS.
- The need to replace or eliminate one of the Plans' investment options after noncompliance with this IPS has been established, or appears likely.

8- Self-Directed Brokerage Account

In addition to the selected investment options in the Plans' core menu, the Self-Directed Brokerage Account (SDBA) allows participants an opportunity to allocate money to an expanded range of investment choices. With this option, participants choose to open a separate brokerage account to obtain a specific product not offered by the Plan. Participants may choose from thousands of mutual funds from the brokerage platform.

The Investment Committee, assisted by the Investment Consultant, will oversee the prudent selection and ongoing due diligence of the SDBA provider and related features. In fulfilling that responsibility, the Committee will, among other things, determine that any costs for the SDBA are reasonable and that the accounts themselves are operated according to appropriate securities regulation and under retirement guidelines. However, **the University will not monitor or evaluate the investment options available through the SDBA.** The University will work with the SDBA provider to ensure participants are made aware that, when selecting the SDBA option, the investment alternatives available through the SDBA have not been subjected to any selection process and are not monitored by the University or its Board of Trustees.

-9- Conclusion

It is understood that the guidelines set forth in this statement are meant to serve as a general framework for prudent management of the assets of the Plans. Changing market conditions, economic trends or business needs may necessitate modification of this Investment Policy Statement. Until such

modification this document will provide the investment objectives and guidelines for the Plans' assets, subject to the caveats stated herein. The University of Maine System Board of Trustees' Investment Committee will periodically review and approve updates to this IPS as appropriate.

Approved by University of Maine System, and adopted on this 2nd day of December 2019.

Jason M. Hall, Vice President of Finance & Controller
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Witnessed by CAPTRUST Financial Advisors & adopted on this 3rd day of December, 2019.

[Signature]
Signature, Title Advisor

DEFAULT INVESTMENT OPTION

Default Investment Options are specific investment vehicles that are used when a plan participant or beneficiary fails to make affirmative investment elections. The Committee has decided to appoint a default option for use in situations where a participant may fail to provide investment direction. The default investment option will be a suite of target date funds