



## PURPOSE

The purpose of this Statement of Investment Policy and Guidelines ("Statement") is to identify a set of investment objectives, guidelines and performance standards for ABLEnow. This Statement represents the formal investment policy document for ABLEnow and is to be communicated to the investment managers for their use in developing an appropriate investment portfolio. This document will also be used by the Board as the basis for future investment management decisions, measurement, and evaluation of investment performance of ABLEnow.

This Statement will be reviewed at least annually by the Board to ensure that it is consistent with the investment needs of ABLEnow.

## RESPONSIBILITIES

### Standard of Care

Pursuant to § 23.1-706 of the Code of Virginia ("Code"), the Board, and any person, investment manager, or committee to whom the board delegates any of its investment authority, shall act as trustee and shall exercise the judgment of care under the circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but to the permanent disposition of funds, considering the probable income and the probable safety of their capital.

### Board

Pursuant to § 23.1-704 of the Code of Virginia ("Code"), the Board shall administer the Commonwealth Savers Plan ("Plan") and shall develop and implement a program for contributions to ABLE savings trust accounts established pursuant to this chapter on behalf of a qualified beneficiary in order to apply distributions from the account toward qualified disability expenses for an eligible individual, as both such terms are defined in § 529A of the Internal Revenue Code of 1986, as amended, or other applicable federal law. In addition, pursuant to § 23.1-704 of the Code, the Board shall invest moneys in the Plan in any instruments, obligations, securities, or property deemed appropriate by the Board.

The Board is authorized to delegate certain responsibilities to qualified agents to assist them in properly meeting the overall Board responsibilities as outlined above. Specifically, the Board relies on the advice, guidance and actions of Commonwealth Savers management ("Management"), the Investment Advisory Committee, third party administrator, investment managers, an investment consultant and legal counsel to perform various functions.

### Management

Commonwealth Savers management, comprised of the Chief Executive Officer ("CEO") and such other senior officers as may be appointed by the CEO, shall implement decisions approved by the Board and/or Investment Advisory Committee. Management shall (i) appoint a third party administrator (ii) oversee the development, structure, evaluation and implementation of ABLEnow's strategic goals and objectives and (iii) with the assistance of the Investment Advisory Committee, and investment consultants, will direct and manage ABLEnow's assets and programs, and (iv) report periodically and as requested to the Board.



### **Investment Advisory Committee**

According to § 23.1-702 of the Code, the Board of Commonwealth Savers Plan shall appoint an Investment Advisory Committee ("Committee"), the purpose of which is to assist the Board in fulfilling its fiduciary duty as trustee of the Plan and to assist Management in directing, managing, and administering Plan assets, and to provide the Board with sophisticated, objective and prudent investment advice and direction on all matters related to the management of investments, within the parameters set by the Statement, as it may be amended from time to time. While this Statement refers to the responsibilities and duties of the Board, some of these responsibilities and duties may be delegated to the Committee via the Committee Charter.

The Committee shall be comprised and administered in accordance with the Committee Charter, as it may be amended from time to time by the Board. The Committee is authorized to make decisions with regard to investment managers. The Committee is further authorized to take any additional action specifically authorized in other Board actions. Recommendations are not binding upon the Board.

The Committee shall report any action taken to the Board at the Board's next meeting.

## **ALLOWABLE INVESTMENTS**

Pursuant to § 23.1-706 of the Code, as amended, the Board is authorized to acquire and retain every kind of property and any kind of investment, and to retain property properly acquired, without time limitation and without regard to its suitability for original purpose, specifically including but not limited to:

- Debentures and other corporate obligations of foreign or domestic corporations;
- Common or preferred stocks traded on foreign or domestic stock exchanges;
- Not less than all of the stock or 100 percent ownership of a corporation or other entity organized by the Board under the laws of the Commonwealth for the purpose of acquiring and retaining real property that the Board is authorized to acquire and retain;
- Unregistered securities, often referred to as letter stock or private placements, including limited partnerships and 144A securities;
- Securities of any open-end or closed-end management type investment company or investment trust registered under the federal Investment Company Act of 1940, as amended, including such investment companies or investment trusts which, in turn, invest in the securities of such investment companies or investment trusts. Also permitted are pooled investments, including collective trusts and similar commingled fund vehicles, which may be used as an alternative to a mutual fund investment;
- Bonds, notes or other obligations of the Commonwealth or its agencies and instrumentalities.

### **Commingled Funds, Collective Trusts and Mutual Funds**

The guidelines in this Statement have been established to ensure that the investments of each investment manager are in keeping with the return and risk objectives of ABLEnow. However, in attempting to meet these objectives, it may be advantageous for a portion of portfolio assets to be placed in a pooled, commingled, collective trust, or mutual fund which may have specific restrictions, policies, or guidelines that conflict from time-to-time with those outlined in this Statement. The restrictions, policies and guidelines in the funds' prospectus or offering statement shall take precedence over those stated in this Statement.



## INVESTMENT OPTION STRUCTURE

ABLEnow offers individual tax-advantaged Internal Revenue Code Section 529A disability savings accounts with a variety of investment options from which a participant may choose. The Board determines the investment options to be offered in ABLEnow. The risk of investment losses in ABLEnow accounts rests with the participant. The primary investment objectives of ABLEnow are to offer a set of investment options that:

- allow ABLEnow participants to build portfolios consistent with their desired investment risk and return;
- provide a risk profile consistent with its position in the overall structure; and
- are managed so as to implement the desired risk profile and other investment characteristics.

In seeking to achieve diversity among the investment options offered, ABLEnow has established certain criteria to determine the material differences in investment options. The following technical factors should be used to classify and differentiate potential investment options:

- A distinct definable market and the availability of a widely used and understood benchmark;
- A distinct risk and return profile as exhibited by historical return analysis; and
- Use of a distinct management style that is definable in terms of the investment strategies/methodologies utilized (e.g., passive versus active management, growth vs. value).

### STATIC PASSIVELY-MANAGED BALANCED PORTFOLIOS

These balanced portfolios will be constructed based on the risk orientation of the individual investor rather than the investor's time horizon.

At a minimum, the following risk-based portfolios will be offered:

- Aggressive Growth (equity allocation greater than 70%)
- Moderate Growth (equity allocation between 40% and 70%)
- Conservative Income (equity allocation less than 40%)

### MONEY MARKET PORTFOLIO

The money market portfolio seeks to provide current income and preserve the principal investment by maintaining a share price of \$1. The portfolio invests in short-term money market instruments, which may include short-term securities issued by the U.S. government and its agencies and instrumentalities.

## INVESTMENT MANAGER SELECTION, MONITORING AND TERMINATION

The Board reserves the right to add, delete or replace investment managers based upon inability to meet performance guidelines outlined in this policy or other factors affecting the continuing viability of the portfolio. **Either separately managed portfolios, commingled funds or mutual funds may be used in ABLEnow.** The Board has delegated to the Staff, principally the CEO and Investment Director, the authority to select, contract, hire, and terminate individual investment managers that satisfy the requirements of the Board approved investment lineup.



## SELECTION – GENERAL CRITERIA

When selecting funds for ABLEnow, six broad categories should be considered including economies of scale, organizational strength, diversification, performance consistency, transparency and risk/reward. Managers should be of institutional quality based on metrics such as assets under management and offer reasonable fees compared to an appropriate peer group. Likewise, appropriate risk controls may be outlined in each investment manager agreement with respect to sector and industry weightings relative to benchmark. The strategy should be supported by qualified personnel with sufficient resources and have at least three years of verifiable investment performance. Returns versus benchmark and peer group should be competitive. Staff or managers may consider ESG issues when selecting certain investment strategies. Evaluation of strategies is not adjusted based on ESG factors and should be compared to the appropriate benchmark and universe for the asset class as stipulated in the Appendix. For avoidance of doubt, any incorporation of ESG factors into investment analysis must be done through a lens of being additive to pecuniary factors (risk and return). The Board is committed to seeking diversity in the ownership, management, and staffing of firms with which the Plan does business, including investment managers. Each firm's commitment to diversity shall be considered in evaluating potential investment managers, with the primary criteria remaining those outlined in this section, in accordance with the fiduciary obligations of the Board.

## PERFORMANCE MONITORING

The Board shall periodically, but not less than quarterly, evaluate investment managers. Each actively-managed investment option will be measured against its benchmark and peer group for the measurement periods outlined below. The ability to meet the benchmark comparison on a net of fees basis will be a primary measure of performance. In addition to monitoring performance, consideration will be given to risk adjusted metrics.

Measurement Period	Benchmark Comparison	Peer Group Comparison
<b>Multiple rolling 3-year periods</b>	The total rate of return should exceed the return of the benchmark index over most rolling periods. <sup>1</sup>	The total rate of return should exceed the median return of the fund's peer group over most rolling periods.

For the managers that do not have a 3-year track record with ABLEnow, the manager's separate account composite or mutual fund performance will be used for evaluation. The manager may also be placed on watch within a lesser period if the strategy deviates from the universe and benchmark dramatically and in a manner that would not have been expected given the tracking error expectations of the strategy.

If the investment manager utilizes a passively-managed strategy, the portfolio will be monitored on its ability to successfully track the risk and return characteristics of the stated benchmark. Peer group performance will not be required for passive strategies.

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<sup>1</sup> Measured over the latest 12 quarters available for review.



In addition to monitoring investment performance results, staff may periodically evaluate the investment managers on the basis of the following factors to ascertain whether they should continue to be utilized in ABLEnow:

- the stability and depth of the investment professionals responsible for the management of this strategy;
- the suitability of its investment approach for ABLEnow;
- its management fees; and
- any other measures staff deems useful and relevant.

#### **Watch List Status & Termination**

If an investment manager fails to meet the minimum standards of investment performance outlined in this document, staff has the discretion to place the manager on a watch list for up to one year. Staff maintains a manager dashboard that evaluates managers across areas of performance, team, process, strategy, capacity and firm and develops watch statuses based on this analysis. Significant changes or weakness in any of these areas can be cause for termination.

## **ACCEPTANCE AND ADOPTION**

The Board of the Commonwealth Savers Plan has approved and adopted this restated Statement of Investment Policy and Guidelines as of August 28, 2024.



## APPENDIX: BENCHMARKS

The table below outlines the target benchmarks for the ABLEnow portfolios.

Manager/Portfolio	Category	Benchmark
<b>Conservative Income Portfolio</b>	Static, Balanced	56% Bloomberg U.S. Aggregate Float Adjusted Index / 24% Bloomberg Global Aggregate ex-USD Float Adjusted RIC Capped Index / 12% CRSP US Total Market Index / 8% FTSE Global All Cap ex US Index
<b>Moderate Growth Portfolio</b>	Static, Balanced	36% CRSP US Total Market Index / 28% Bloomberg U.S. Aggregate Float Adjusted Index / 24% FTSE Global All Cap ex US Index / 12% Bloomberg Global Aggregate ex-USD Float Adjusted RIC Capped Index
<b>Aggressive Growth Portfolio</b>	Static, Balanced	48% CRSP US Total Market Index / 32% FTSE Global All Cap ex US Index / 14% Bloomberg U.S. Aggregate Float Adjusted Index / 6% Bloomberg Global Aggregate ex-USD Float Adjusted RIC Capped Index
<b>Money Market Portfolio</b>	Static, Balanced	Citigroup 3-Month Treasury Bill Index