JUDICIAL FUND
INVESTMENT OBJECTIVES & POLICIES
Amended by the Retirement Board
July 19, 2018

I. MISSION

The Judicial Retirement Fund was established to afford a degree of security to long-time Justices and Judges in the State of Nevada.

The investment program is to be managed for the exclusive benefit of the System’s members and retirees and support the actuarial funding and investment objectives of the System within the framework of the Nevada Revised Statutes, specific policies and directives adopted by the Board.

The purpose of this document is to define the Board’s investment objectives and policies and to delineate the duties and responsibilities of the entities involved in the investment process.

II. OBJECTIVE

It is the investment objective of the Judicial Retirement System of Nevada (System) to:

- Invest in a diversified portfolio with a similar asset allocation that produces long-term total return and risk objectives consistent with the PERS Fund;
- Invest so that the short-term volatility of returns will not cause the System to alter its long-term strategy; and
- Structure a simple investment program to control the ability to meet long-term return and risk objectives.

III. INVESTMENT PHILOSOPHY

Maintain consistent exposure to capital markets and systematically buy assets low and sell them high. To implement this strategy, we emphasize a simple, low cost structure that relies primarily on intelligent asset allocation and rebalancing.

• Consistently Apply Time Tested Investment Principles
  o Focus on the long term
  o Maintain consistent exposure to the capital markets
- **Buy weakness, sell strength**
- **Broadly diversify**
- **Implement changes intelligently – act from a position of strength**
- **Align strategy with risk tolerance and goals**
- **Emphasize an uncomplicated structure**
- **Keep costs low**

### Implementation
- **Primary focus on asset allocation**
- **Make asset allocation changes at opportune points in the market cycle**
- **Emphasize index management**
- **Adhere to an intelligent, disciplined rebalancing process**
- **Utilize fewer portfolios/managers**
- **Keep manager and asset turnover low**
- **Emphasize higher quality assets**

### IV. POLICIES

#### A. Retirement Board (Board):

1. Each member of the Board shall discharge duties with respect to the fund solely in the interest of the members and benefit recipients, and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

2. The Board shall:

   a. Make investment decisions recognizing the System's funding requirements and in accordance with these Investment Objectives and Policies or adopt necessary revisions;
   b. Employ Investment Consultant (Consultant) and Investment Counsel (Counsel) services as well as Investment Staff (Staff) to ensure the System's funds are invested effectively and with proper risk control;
   c. Issue Interim Directives that provide for the dispersal of funds;
   d. Enter into written agreements covering performance expectations with Staff, Consultant, and Counsel; and
   e. Formally review the System’s Investment Objectives and Policies at least annually.

3. The Board and its individual members are not liable for investment decisions made by Counsel if they obtain qualified Counsel, establish proper Investment Objectives and Policies, issue appropriate Interim Directives, and monitor Counsel.

#### B. The System's Staff shall:

1. Provide advice and recommendations to the Board on all investment matters and discharge their investment duties solely in the interest of the members and benefit
recipients with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

2. Make sufficient information available so that Board members can reasonably be expected to make prudent investment policy decisions.

3. Prepare necessary revisions to Investment Objectives and Policies, Interim Directives, and other operating guidelines for Board consideration and adoption and effectively implement the Policies and Directives.

4. Ensure that monitoring programs, including performance reporting that incorporates Global Investment Performance Standards where appropriate, are in place in order to adequately inform the Board.

5. Review asset allocation annually.

C. Consultants and Counsel:

1. Consultants and Counsel are fiduciaries and shall discharge their duties with respect to this fund solely in the interest of the members and benefit recipients with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

2. Counsel shall be liable for any investment decision that is not made in accordance with Investment Objectives and Policies and applicable Interim Directives established by the Board.

3. Qualified Consultants include those professionals with the background, expertise, and demonstrated success as institutional investment consultants for at least ten years, and research/data base access, to provide investment program advice, including selection of qualified Counsel.

4. Qualified Counsel includes SEC registered investment advisors, banks, or insurance companies recognized by the System’s Consultant and the Board as providing investment expertise with demonstrated success for at least the prior ten years.

5. The Board’s hiring process shall include directing Staff and Consultant to:

   a. Screen manager profiles which shall include, but not be limited to:
      - Investment style/process
      - Assets under management
      - Return/risk criteria/tracking error
      - Organization/personnel
      - Trading capabilities

   b. Staff shall meet with semi-finalists and recommend finalists for consideration by the Board.
c. The Board shall review staff’s written recommendations in a public meeting and take action as they deem appropriate.

6. Staff and Consultant shall provide evaluations to the Board at any time it is not likely that Counsel will achieve the System's performance objectives. The Board shall then take action which may include, but not be limited to, more frequent special reporting, on-site staff reviews, or termination. Prior to termination, staff shall notify the custodian of potential action. Upon termination staff shall notify the custodian as soon as possible to sever account trading authority as appropriate.

7. No more than 30% of the PERS', Legislators' and Judicial assets shall be managed on a permanent basis by a single investment firm in index strategies. The combined PERS, Legislators' and Judicial assets shall not permanently constitute more than 20% of any firm's assets within the asset class (equity, bonds, real estate, or alternative investments) managed. Staff shall provide an annual report of combined assets to the Board consistent with this policy.

8. Staff shall provide a report to the Board of investment costs including management fees and commission costs annually.

9. Securities and foreign exchange transactions are considered by the Board to be investment decisions. As such, they will be carried out at the discretion of Counsel for the benefit of JRS with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to JRS. Any commission arrangements (including commission recapture) are to be between the broker and Counsel. No person engaged in business as a broker or dealer in securities or who has a direct pecuniary interest in any such business who receives commissions for transactions performed as agent for the Board is eligible for employment as investment counsel for the Board. Counsel will select brokers based on:

- Execution capability;
- Transaction size/execution difficulty;
- Research services;
- Institutional experience/firm infrastructure; and
- Commission rates.

Staff and Counsel shall annually provide a written report of brokerage activity which staff will summarize and submit to the Board. The report shall include:

Bonds:
- Total transactions detailed by brokerage firm.
Stocks:
- Total transaction and commission activity, including commissions per share, and commissions as a percent of total, detailed by brokerage firm.
Foreign Exchange:
- Total transactions detailed by brokerage firm.
Commingled accounts:
- Account transaction activity, detailed by percent allocation to brokerage firm.
For any soft dollar arrangements used provide the following:
- A description of goods and services obtained.
- How the goods and services directly benefited the Nevada Judges' fund.
- Names of applicable brokers.
- The total costs.
- The percentage cost paid by the Nevada Judges.
- Whether the same goods and services are available for purchase with hard dollars.

10. All investment transaction decisions shall be made by qualified counsel.

11. Proxy voting is considered by the Board to be a component of the investment decision process, therefore, Counsel is responsible for voting all proxies in a manner consistent with the best economic interest of the Judicial fund. Counsel shall provide an annual report of proxy votes to PERS’ staff.

12. In the event of a change in a security's characteristics such that it is no longer compliant with the System's policies, the security shall be liquidated within 90 days of the date of the change. Counsel shall notify staff of policy violations as soon as possible.

13. The System's assets must not be loaned to the State of Nevada or invested to purchase any obligations of the State of Nevada.

14. The System shall monitor security class action lawsuit settlements and file as necessary to ensure the Judicial fund receives damages to which it is entitled, unless Judicial investment counsel deems another course of action is in the best financial interest of the System. Monitoring, filing and collection of class action proceeds shall be coordinated by the Judicial fund’s custodian bank.

V. ASSET ALLOCATION

A. The asset allocation shall be as follows:

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<th></th>
<th>Target</th>
<th>Rebalance Trigger</th>
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<tbody>
<tr>
<td>U.S. Stocks</td>
<td>50.5%</td>
<td>48%-55.5%</td>
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<tr>
<td>International Stocks</td>
<td>21.5%</td>
<td>19.5%-24.0%</td>
</tr>
<tr>
<td>U.S. Bonds</td>
<td>28%</td>
<td>23.0%</td>
</tr>
</tbody>
</table>

Assets shall be rebalanced only if the actual allocation reaches the rebalance trigger. When a trigger is hit, asset classes shall be brought all the way back to the allocation target. The funding source/destination shall be those asset classes that are the farthest from their policy target.

The total fund market objective shall be comprised of market index returns (as defined in Section VI below for each asset class) weighted consistent with the above allocations.
B. Portfolios shall be invested consistent with the following targets.

1. Stocks -
   a. U.S. Stocks shall be invested in: 
      100% S & P 500 Index
   b. International Stocks shall be invested in: 
      100% MSCI World ex USA Index

2. Bonds -
   a. U.S. Bonds shall be invested in: 
      100% Barclays U.S. Treasury Index

VI. OBJECTIVES & POLICIES BY INVESTMENT CATEGORY

A. Short-term Investments:

1. The objective of short-term investments is to produce a return that equates to 
   prevailing short-term rates applicable to the quality specified below.

2. All monies not deployed in permanent investments shall be invested in short-term 
   investment vehicles as provided below.

3. Money market instruments shall include:
   a. Direct obligations of the U.S. Treasury including bills, notes, and bonds, and 
      repurchase agreements secured by those obligations.
   b. U.S. Treasury money market mutual funds that are SEC registered 2(a)-7 and 
      AAA rated by at least two of Moody's, Standard and Poor's or Fitch and whose 
      investment guidelines are substantially equivalent to and consistent with the 
      System's overall short-term investment criteria.

B. Bonds:

1. The investment objective of the U.S. Bond portfolio is to produce a total return (time 
   weighted rate of return), which captures the return of the Barclays U.S. Treasury Index 
   with commensurate volatility.

2. The following dollar denominated securities are authorized: 
   Direct obligations of the U.S. Treasury, including bills, notes, and bonds and 
   repurchase agreements secured by those obligations.

3. Short selling and the use of leverage are not permitted.

C. Stocks:

1. The investment objective of the U.S. Stock portfolio is to produce a total return (time- 
   weighted rate of return), which captures the return of the Standard and Poor's 500
Investment Objectives and Policies, Judicial Fund

1. Investment is limited to S&P 500 securities and all securities that have been publicly announced for inclusion in the S&P 500 Index. Counsel is permitted to hold a security that has been removed from the S&P 500 Index up to a maximum holding limit of 10 business days.

2. The investment objective of the International Stock portfolio is to produce a total return (time-weighted rate of return), which captures the return of the Morgan Stanley Capital International World ex USA (MSCI World ex USA) Index (unhedged) with commensurate volatility. Investment is limited to securities within the MSCI World ex USA Index and all securities that have been publicly announced for inclusion in the MSCI World ex USA Index. Counsel is permitted to hold a security that has been removed from the MSCI World ex USA Index up to a maximum holding limit of 10 business days. American Depository Receipts (ADR) are permitted when appropriate locally domiciled security is suboptimal and foreign currency deposits (non-USD securities) in countries in the MSCI World ex USA Index.

3. Counsel is permitted to purchase/sell the appropriate Exchange Traded Fund index tracking security (ETF) to maintain exposure to the index for the purpose of managing cash.

4. Short selling and the use of leverage are not permitted.

E. Forward Contracts:

1. Counsel may utilize foreign currency forward contracts to hedge currency exposure.

2. The use of leverage is not permitted.

F. Securities Lending:

1. The investment objective for the securities lending program is to maximize incremental income within a high quality investment program that safeguards the return of principal, maintains adequate daily liquidity, ensures diversification and tightly controls exposure to fluctuating interest rates. Given the size of the Judicial portfolio, investment in commingled funds that employ securities lending may be necessary. Differences may exist between commingled fund lending practices and these policies. In these situations, staff will quantify and monitor differences.

2. The securities lending process shall be transparent.

3. No more than 33 1/3% of total assets (not including collateral) may be on loan. Lending assets shall be defined as the value of assets on loan.

4. In all cases, loans will be collateralized by cash or securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities. Collateral received for the lending of U.S. securities must equal at least 102% of market value, plus accrued interest in the case of fixed income securities. Collateral received for the lending of international securities must equal at least 105% of market value, plus accrued interest in the case of fixed income securities. Securities Lending Counsel shall be responsible for monitoring collateral levels and exercising daily marks to market.
5. Loan maturities shall not be negotiated for longer than one year. No more than 15% of the portfolio shall be on loan longer than six months.

6. Securities Lending Counsel shall perform ongoing credit analysis of brokers and establish individual concentration limits, which may be amended from time to time. Broker default indemnification, provided by Securities Lending Counsel, shall not relieve Securities Lending Counsel from ongoing credit review.

7. Securities Lending Counsel is authorized to invest cash collateral in the following investment vehicles:
   a. U.S. Government Obligations issued or guaranteed by the U.S. Government, its agencies, or instrumentalities.
   b. Bank Obligations including certificates of deposit, time deposits, medium term notes, or deposit notes provided the guarantor has a minimum of $1.5 billion capitalization and is rated A or better by at least two of Moody’s, Standard & Poor’s or Fitch.
   c. Commercial Paper and Other Short-Term Securities including loan participations provided the issuer or guarantor has received an adequate credit rating by at least two of Moody’s, Standard & Poor’s or Fitch (A1 by Standard and Poor's/Fitch and P1 by Moody's).
   d. Corporate and other Debt Obligations including high grade fixed, floating, and variable rate notes, variable rate demand obligations (master notes) and medium term notes with a credit quality rating of A or better, as rated by at least two of Moody’s, Standard & Poor's or Fitch.
   e. If a security is not rated by all three agencies, it must be rated A1 or P1 (in the case of commercial paper) or A or better (in the case of bank and corporate obligations) by at least two of Moody’s, Standard and Poor's or Fitch.
   f. Repurchase Agreements, typically overnight, 102% collateralized by above authorized investments.
   g. Money Market Mutual Funds that are SEC registered 2(a)-7 and AAA rated by at least two of Moody’s, Standard and Poor's or Fitch and are collateralized with U.S. Treasuries or agency securities or are secured by repurchase agreements and whose investment guidelines are substantially equivalent to and consistent with the System's overall short-term investment criteria.
   h. If a security is not described above, it is not eligible for investment. For example, derivative instruments and structured securities such as leveraged structured notes, inverse floaters, CMT floaters, range floaters, dual index floaters, CDOs, SIVs and other speculative instruments are specifically prohibited.

8. Securities Lending Counsel shall abide by the following diversification, maturity, and liquidity guidelines:
   a. Suitable diversification shall be maintained by ensuring that no more than 2% of the portfolio at time of purchase and 3% of the portfolio on an ongoing basis shall be exposed to the term obligations of any one issuer except U.S. Government obligations. Overnight repurchase agreements shall be limited to 10% per name.
b. A minimum of 30% of the portfolio must be invested in overnight instruments or those that are redeemable upon demand.

c. The maximum maturity for any one investment shall not exceed 24 months. Weighted average maturity of the reinvestment portfolio shall not exceed 90 days.

d. The difference between the weighted average maturity of the reinvestment portfolio and the weighted average maturity of the loan portfolio (i.e., "GAP") shall be no greater than 60 days.