Investment Policies and Objectives

of the

Lower Colorado River Authority 401(k) Plan

and the

Lower Colorado River Authority Deferred Compensation Plan

Effective as of January 1, 2021

The Lower Colorado River Authority (the “LCRA”) is a conservation and reclamation district created by the Legislature of the State of Texas in 1934.

Pursuant to the enabling legislation of the LCRA, the powers, rights, privileges, and functions of the LCRA are exercised by its Board of Directors. The Board of Directors has the responsibility for and the authority to establish policies to guide management of LCRA affairs.

The Board of Directors adopted the Lower Colorado River Authority 401(k) Plan (the “Prior Plan”) for its eligible employees effective April 1, 1984. The Prior Plan was amended or restated in its entirety most recently, effective April 1, 2001 (the “401(k) Plan”). The 401(k) Plan is a single-employer defined contribution pension plan.

The Board of Directors adopted the Lower Colorado River Authority Deferred Compensation Plan (the “Prior Deferred Compensation Plan”) for its eligible employees effective April 1, 1981, and which Prior Deferred Compensation Plan was amended or restated in its entirety most recently, effective January 1, 2003 (the “457 Plan”). The 457 Plan is a single-employer eligible 457 plan as defined under Section 457(b) of the Internal Revenue Code.

Article X of the 401(k) Plan and Article VI of the 457 Plan created the Board of Trustees (the “Board”). The Board was delegated the responsibility to administer the 401(k) Plan and 457 Plan (collectively, the “Plans”) in accordance with the respective Plan’s terms, and all powers necessary to accomplish that purpose including, but not limited to, the right, power, and authority to: (1) employ and supervise an investment performance evaluation consultant to assist the Board in the selection and evaluation of one or more fund administrators, the establishment of investment objectives and guidelines, and the selection of investment options, and (2) select, employ, and compensate, from time to time, such consultants, actuaries, accountants, attorneys, and fund managers as the Board may deem necessary and advisable for the proper and efficient administration of the Plans.

Article VI of the 401(k) Plan and Article IV of the 457 Plan provide that the Board may designate additional and/or replacement investment options and eliminate any investment options as it deems appropriate. Contributions and earnings thereon shall be invested as directed by each participant in one or more investment accounts. A designation of investment option elected by a participant
remains in force until he or she ceases to be a participant or until he or she delivers notice of his or her designation of a different investment option. A participant may change his or her investment option at any time.

Investment performance evaluation consultants, fund administrators, and other consultants (collectively “Consultants”) employed by the Board shall act in accordance with the provisions of the Plans. Consultants shall act, in connection with the Plans with the care, skill, prudence, and diligence that a prudent expert familiar with such matters would use in like circumstances. Consultants shall act in accordance with the applicable laws of the State of Texas.

PURPOSE OF THE PLANS

The Plans are meant to provide eligible employees and participants a method to save for retirement on a tax-deferred basis. The 401(k) Plan is intended to motivate eligible employees and participants to save with matching employer contributions. The Plans are not the primary retirement vehicles offered by the LCRA; the LCRA also sponsors a defined benefit plan to eligible employees. The Plans are individual account plans under the Internal Revenue Code. This policy will document the selection, evaluation, review procedures, guidelines, standards and restrictions that the Board has put in place with respect to the Plans.

ROLE OF THE INVESTMENT POLICY

This policy is intended to define the investment policy of the Plans and identify categories of investments to be made available to participants. This policy also is intended to provide a framework to the Board for supervising, monitoring, and evaluating investment assets and to ensure that the Plans are operated in compliance with applicable federal and state requirements. The policy is intended to meet the following needs:

1. Financial needs and risk tolerance of participants;
2. Objectives of the Board;
3. Need to document expectations regarding investment options offered;
4. Fiduciary duty in selecting and monitoring funds;
5. Need to document objectives, guidelines and standards and encourage communication of these to all parties associated with or benefiting from the Plans; and
6. Desire to ensure that participants have access to sound investment alternatives on a continuing basis.

ALLOCATION OF RESPONSIBILITIES

Board – Operate the Plans in full compliance with legal requirements and for the exclusive benefit of the participants and beneficiaries; develop an investment program with a diversified range of funds; identify appropriate investment options allowing for adequate levels of asset allocation;
select qualified investment administrators or funds; select a trustee or custodian; communicate with money administrators; monitor investment results with quarterly reviews; take action if objectives are not being met or guidelines not followed; and monitor the reasonableness and competitiveness of fees charged.

Investment Administrators – Determine and implement the investment strategy and manage assets under control; adhere to the investment style for which selected; follow stipulated guidelines and standards; supply periodic reports; at least annually meet with the Board to review performance and provide participants with prospectuses and other items required by law.

Trustees - Provide trustee services and provide for the education of participants regarding the importance of equities and asset allocation.

Recordkeeper – Maintain account balance information on a participant, as well as a total plan basis.

Participants – Determine personal risk level and selecting options appropriate for meeting their unique investment objectives.

INVESTMENT PROGRAM STRUCTURE

The investment objective of the Board is to provide a manageable group of investment options that offer the participants a quality product with the ability to properly diversify their investment holdings.

FIDUCIARY RESPONSIBILITIES OF THE FUND MANAGER AND INVESTMENT ADMINISTRATOR

The fund manager and investment administrator is expected to manage the Plans’ assets in a manner consistent with the investment objectives, guidelines, and constraints outlined in this statement and in accordance with state and federal requirements. This includes discharging responsibilities with respect to the Plans consistent with the prudent expert-standard as described above and all other fiduciary responsibility provisions and regulations. The fund manager and investment administrator shall at all times be registered in good standing as an investment adviser under the Investment Advisers Act of 1940 and shall acknowledge in writing that it is a fiduciary of the Plans.

INVESTMENT OPTIONS

Investment Categories – The Board has determined that a wide range of alternative investment options will be available to participants. The Board anticipates that the investment vehicles made available to participants may include, but are not limited to, funds in any or all of the following asset classes:
• Money Market or Short Term – a cash equivalent instrument investing in high quality, short-term fixed income securities.
• Bonds – funds investing primarily in, but not limited to: U.S. Government notes and bonds or investment grade corporate bonds.
• Domestic Equity – large capitalization stocks (funds investing primarily in shares of large U.S. corporations); mid-capitalization stocks (funds investing in the shares of mid-capitalization U.S. corporations); and/or small capitalization stocks (funds investing in the shares of small U.S. corporations).
• International/Global Equity – funds investing in the shares of non-U.S. corporations.
• Target Date Funds – a group of funds that invest in cash equivalents, bonds, stocks and other securities in differing proportions to provide distinct risk and return characteristics, depending on the fund’s risk objective based on the target participant’s age or other applicable life circumstances.
• BrokerageLink – Designed for experienced investors who prefer to utilize other financial instruments, such as additional Fidelity funds, non-Fidelity funds that are available, or individual securities in their retirement plan. Please note that participants will be governed by the restrictions set by the LCRA and Fidelity’s Brokerage Department concerning potential investment vehicles in the Brokerage Option. Eligible securities include: Equities, Corporate Bonds, U.S. Treasuries, Certificates of Deposit (CDs), Zero Coupon Bonds, Mortgage Backed and U.S. Govt. Agency Bonds, Fidelity Mutual Funds (excluding Fidelity Institutional Funds), Non-Fidelity Mutual Funds (via Funds Network), Taxable Unit Investment Trusts, Master Limited Partnerships, and Exchange Traded Funds/REITS.

MEETINGS AND COMMUNICATION WITH THE FUND MANAGERS AND FUND ADMINISTRATORS

A representative of the fund administrator and/or fund manager would meet with the Board annually to review and explain the Plans’ investment results. Written reports of interim performance should be provided on a quarterly basis. Monthly statements of portfolio holdings and transactions should be provided to the Board. The fund manager should be available on a reasonable basis for telephone communication when needed. Any material event that affects the ownership of the fund manager firm or the management of this account must be reported immediately to the Board.

PERFORMANCE EVALUATION

The Board will monitor each fund’s performance on a quarterly basis and will evaluate each fund’s and the Plans’ success in achieving the investment objectives outlined in this document over a rolling three- to five-year time horizon.

Each fund’s performance should be reported in terms of rate of return. The returns should be compared to appropriate market indexes, for the most recent quarter and for annual and cumulative prior time periods.
Risk as measured by volatility, or standard deviation, should be evaluated on an on-going basis over a rolling three- to five-year time horizon.