

# ***Sample Investment Policy Statement***

## Summary of Plan Information

Plan Sponsor:

Plan Name:

Date This Policy Statement Adopted:

## **Statement of Purpose for the Policy and the Plan**

The *[Insert Plan Name]* ("Plan") is a defined contribution retirement plan available to all eligible employees. The Plan's purpose is to provide a cash or deferred arrangement for Plan participants (for the purposes of this document, participants will include beneficiaries and any parties in interest as defined within ERISA). Investment of Plan assets will be made for the sole interest and exclusive purpose of providing benefits to participants. It is the intent of the Investment Committee ("Committee") *[Insert name of your committee or board of directors or board of trustees depending on the makeup of your Plan administration]* to provide a range of investment options that will enable participants to invest according to varying risk tolerance, savings time horizon, and other financial goals.

The Plan's investment funds will be selected and monitored with the skill, care and diligence that a prudent individual acting in a like capacity would undertake and in accordance with all other aspects of applicable law, including the requirements of the Employee Retirement Income Security Act of 1974 (ERISA), as amended, and Sections 401(a) and 501(a) of the Internal Revenue Code of 1986 (Code), as amended. The Plan is intended to qualify under the qualified cash or deferred arrangement rules of Code Section 401(k). The Plan is a participant directed individual account plan that it is intended to comply as a "404(c) Plan" within the meaning of the Department of Labor Regulations under ERISA Section 404(c) and as such, it provides individual accounts for Plan participants to select how these individual accounts shall be invested and therefore, no fiduciary shall be liable for any loss that results from a participant's exercise of control over the investment of his or her participant accounts.

The purpose of the document is to provide the Committee with guidance in discharging certain fiduciary responsibilities. It creates no obligation to act in any way. The Committee will monitor all of the evaluation criteria as well as any other material issues when making decisions concerning the Plan's investment funds. To maximize diversification and lessen risk to the extent possible, the Plan offers a balanced portfolio of investment funds composed of equity, fixed income, and cash equivalent securities, and, as such, is intended to be more aggressive than fixed income portfolios and less aggressive than purely equity-oriented portfolios.

The Plan offers a broad range of diversified investments that will enable a participant to construct a portfolio with aggregate risk and return characteristics at any point within the participant's desired range. Adherence to the specific investment objectives and criteria contained herein will be evaluated over a full-market cycle, which historically has been five to seven years. The Committee may, from time to time as warranted, modify these objectives and criteria according to the Committee's discretion in consultation with such financial advisors as it deems appropriate.

Because participants in the Plan ultimately are responsible for their own investment decisions, the Committee aims to provide participants with the following capabilities:

- Choose from a minimum of five diverse alternative investment fund categories, each with materially different risk and return characteristics, at least one of which will provide for a high degree of safety and capital preservation.
- Make investment decisions at least quarterly.
- Receive or have access to the following information in accordance with ERISA Section 404(c) (Please refer to ERISA Section 404(c) for a complete list of information that participants will receive), as updated:
  - A description of the investment alternatives available under the Plan including a general description of the investment objectives, risk and return characteristics, and type and diversification of assets comprising each alternative;
  - A description of any transaction fees or expenses charged to the participant's account, and information on fund costs and fees that reduce the rate of return to participants (expense ratios); and
  - Fund prospectuses, annual reports, and semiannual reports.
- A description of how, when and to whom participants may give investment instructions or identification of designated investment managers.
- Protection of capital gains to obtain a positive return over a given market-cycle.
- Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation to preserve purchasing power.
- Obtain stable and consistent returns.

### **Approach to Performance and Measurement**

When selecting investment options, each investment manager must meet certain minimum criteria:

1. They must be a bank, insurance company or investment management company or an investment adviser under the Registered Investment Advisers Act of 1940.
2. They must be operating in good standing with regulators and clients, with no material pending or concluded legal actions.
3. They must provide detailed additional information on the history of the firm, its investment philosophy and approach, and its principals, clients, locations, fee schedules and other relevant information.

The Committee will review the investment objectives and risk characteristics, historical performance, and expenses related to each available Plan investment option and choose a specific option based on these procedures and objectives. The Committee recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investment vehicles. While risk high levels of risk are to be avoided, the assumption of risk is warranted and encouraged to allow the Committee the opportunity to achieve satisfactory long-term results consistent with these procedures and objectives.

Generally, all investment options are expected to perform as well as or better than their prescribed performance standards, net of fees. In any case, the Committee shall have full discretion and reserves the right to offer or terminate an investment option at any time, for any reason. Once the decision to terminate an investment option is made, asset transfer and liquidation should be handled to the best advantage of the plan using one of the following approaches:

- Remove and replace with an alternative manager and move existing assets directly to the alternative manager.
- Freeze the assets managed by the terminated manager and direct new assets to a replacement manager.
- Phase out the manager over a specific time period.
- Continue the manager but add a competing manager.
- Remove the manager and do not provide a replacement manager.

## **Monitoring of Investment Options**

The on-going monitoring of investments will be a regular and disciplined process. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an on-going process.

The Committee will review periodically the investment managers' progress in meeting the Plan's investment objectives on at least a quarterly basis. The Board of Directors will review the Plan's investment offerings and the Committee's actions pertaining to investment options at least once per year. Generally, the Committee realizes investment managers should be given a full market cycle to achieve stated objectives, therefore greater weight will be given to market-cycle performance than performance in any given year. However, the Committee recognizes that economic, political, social or other changes could occur requiring action sooner than a full-market cycle. Investment options that consistently under perform in terms of risk and return will be carefully reviewed to determine if any action is warranted.

## **Participant Investment Education**

In developing a continual participant investment education program, the Plan will select funds and provide supporting material with consideration for the following:

- The number of funds offered should be limited to promote participant understanding without sacrificing the objectives set forth in this policy.
- The Plan Sponsor should provide general information relating to the economy and capital markets as part of the investment education program.
- Participants should be encouraged to select an appropriate asset allocation (based on their risk tolerance, their time until retirement and other factors relating to their personal financial status) and avoid attempts to time the market.
- The Plan Sponsor should educate participants on the relative risk and return of investing in different asset classes and how diversified investing can reduce the risk of investing.

## **Coordination With The Plan Document**

Notwithstanding the foregoing, if any term or condition of this investment policy conflicts with any term or condition in the Plan, the terms and conditions of the Plan shall control.

ON BEHALF OF *[THE PLAN NAME]*:

Name:

Title:

Date: