

Investment Policy Statement

Prepared on: July 30, 2014

Prepared for:

ABC Corporation 401(k) Plan

Executive Summary

Client Name:
Client Type: Retirement Plans - Participant Directed
Client Subtype: Corporate Defined Contribution
Fiduciary Standard of Care:
Tax Id: 00-0000000
Current Assets:

Safe Harbor Compliance Options:
404(c): Not Selected
Fiduciary Adviser: Not Selected
QDIA: Not Selected

This investment policy statement should be reviewed by an attorney knowledgeable in this specific area of the law. Any change to this policy should be communicated in writing and on a timely basis to all interested parties. If any term or condition of this investment policy statement conflicts with any trust and/or plan document, the document shall control, as long as such term or condition is consistent with the law.

Investment Options List

Purpose

The purpose of this investment policy statement (IPS) is to assist the investment committee (Committee) in effectively supervising, monitoring, and evaluating the management of the retirement plan (Plan). The Committee has the authority to oversee the investment of the Plan's assets. The Committee will discharge its responsibilities under the Plan solely in the interests of Plan participants and their beneficiaries.

The plan's investment program is defined in the various sections of this IPS by:

1. Stating in a written document the committee's attitudes, expectations, objectives, and guidelines for the investment of all of the plan's assets.
2. Encouraging effective communications between the committee and all parties involved with the investment management decisions.
3. Establishing formal criteria to select, monitor, evaluate, and compare the performance results achieved by each investment option on a regular basis.
4. Establishing the number and characteristics of offered investment options.
5. Providing rate-of-return and risk characteristics for each asset class represented by various investment options.

Statement of Objectives

The Plan is a defined contribution plan started on 1/1/2000, and currently covers employees. Plan size is currently and annual contributions should total approximately . The purpose of the plan is to provide retirement income stability by providing eligible employees with a convenient way to save on a regular and long-term basis for retirement.

This IPS has been arrived at upon consideration by the Committee of a wide range of policies and describes the prudent investment process the Committee deems appropriate. The process includes offering various asset classes and investment management styles that, in total, are expected to offer participants the opportunity to diversify their investments in a manner appropriate to their retirement objectives and risk/return requirements.

The objectives of the Plan are to:

- Have the ability to pay all benefit and expense obligations when due.
- Control costs of administering the plan and managing the investments.
- Refrain from giving what could be construed as investment advice.

Duties and Responsibilities

Investment Committee

As fiduciaries under the plan, the primary responsibilities of the Committee are to:

1. Prepare and maintain this investment policy statement.
2. Prudently diversify the plan's assets to meet an agreed upon risk/return profile.
3. Prudently select investment options.
4. Control and account for all investment, record keeping and administrative expenses associated with the plan.
5. Monitor and supervise all service vendors and investment options.
6. Avoid prohibited transactions and conflicts of interest.

Custodian

Custodians are responsible for the safekeeping of the plan's assets. The specific duties and responsibilities of the custodian are to:

1. Value the holdings.
2. Collect all income and dividends owed to the plan.
3. Settle all transactions (buy-sell orders).
4. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and changes to the value of each security and the overall plan since the previous report.
5. Maintain separate accounts by legal registration.

Investment Advisor

The Investment Advisor serves as an objective, third-party professional retained to assist the committee in managing the overall investment process. The Advisor is responsible for guiding the committee through a disciplined and rigorous investment process to enable the committee to meet the fiduciary responsibilities outlined above.

Asset Class Guidelines

The committee believes long-term investment performance is primarily a function of asset class mix. The committee has reviewed the long-term performance characteristics of the broad asset classes, with a focus on balancing the risks and rewards. While interest-generating investments, such as bonds, have the advantage of relative stability of principal value, they provide little opportunity for significant long-term capital growth due to their susceptibility to inflation.

On the other hand, equity investments, such as common stocks, have higher return expectations, but have the disadvantage of greater volatility of return. From an investment decision-making point of view, volatility may be an acceptable tradeoff for greater return potential provided the participant's time horizon is sufficiently long (five years or greater).

The following asset classes were selected and ranked in ascending order of "risk" (least to most) according to the most recent quarter's median 3-year Standard Deviation values. The performance expectations (both risk and return) of each broad asset class are contained in Appendix A.

Implementation

Each investment option should be managed by: (i) a bank; (ii) an insurance company; (iii) a registered investment company (mutual fund); or (iiii) a registered investment adviser. The committee will apply the following due diligence criteria in selecting each money manager or mutual fund:

fi360

fi360 Fiduciary Score

Threshold: ≤ 25 | Pass 1 of the last 1 quarters | Treat missing data values as a failure

*Please reference the fi360 Fiduciary Score Methodology document in Appendix C for additional details.

All of the required criterion must be met for the investment to pass the overall Due Diligence Criteria.

Monitoring - Performance Objectives

The committee acknowledges that returns from the securities markets fluctuate, particularly over short time periods. Recognizing that short-term fluctuations may not be indicative of long-term trends, the committee intends to evaluate investment performance from a long-term perspective.

The committee is aware that the ongoing review and analysis of the investment options is just as important as the due diligence process. The performance of the investment options will be monitored on an ongoing basis and it is at the committee's discretion to take corrective action by replacing a manager if it is deemed appropriate at any time.

On a timely basis, but not less than quarterly, the committee will meet to review each investment for:

1. adherence to the Watch List Criteria identified below
2. material changes in the investment option's organization, investment philosophy, and/or personnel
3. any legal and/or regulatory proceedings affecting the investment option's organization.

Monitoring - Benchmarks

The Committee has determined it is in the best interest of the Plan's participants that performance benchmarks be established for each investment option. Manager performance will be evaluated relative to an appropriate market index (e.g., the S&P 500 stock index for large-cap domestic equity manager) and the relevant peer group (e.g., the large-cap growth mutual fund universe for a large-cap growth mutual fund).

Peer Group

Benchmark Index

Monitoring - Watch List Criteria

The decision to retain or terminate an investment option cannot be made strictly by a formula. Also, extraordinary events do occur, which may interfere with the investment option's ability to prudently manage investment assets. It is the committee's confidence in the investment option's ability to perform in the future that ultimately determines if an investment option will be retained.

An investment option may be placed on a watch list for more thorough or ongoing review and analysis when it fails to meet the following criteria:

Expenses

Prospectus Net Exp Ratio (Optional)

Threshold: Top 75% of peer | Pass 1 of the last 1 quarters | Treat missing data values as a failure

Performance

1 Year Return (Optional)

Threshold: Top 50% of peer | Pass 1 of the last 1 quarters | Treat missing data values as a failure

3 Year Return (Optional)

Threshold: Top 50% of peer | Pass 1 of the last 1 quarters | Treat missing data values as a failure

5 Year Return (Optional)

Threshold: Top 50% of peer | Pass 1 of the last 1 quarters | Treat missing data values as a failure

Operations

Manager Tenure

Threshold: > 2 Years | Pass 1 of the last 1 quarters | Treat missing data values as a failure

In addition to meeting any required criterion, 2 of the 4 optional criterion must be satisfied to meet the overall Due Diligence Criteria.

Monitoring - Measuring Costs

The committee will review at least annually all costs associated with the management of the plan, including:

1. Expense ratios of each mutual fund relative to the appropriate peer group

2. Administrative fees: costs to administer the plan, including record keeping, custody, and trust services
3. The proper identification and accounting of all parties receiving soft dollars and/or 12b-1 fees generated by the plan

Investment Policy Review

The committee will review this IPS at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

Prepared by	Signature	Date
_____	_____	_____
Name	Signature	Date
ABC Corporation	_____	_____

Appendix A: Capital Market Inputs

Capital Market Data last updated December 31, 2013. Returns include a default inflation rate of 2%.
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	Return (%)	Risk (%)	Underlying Index	Peer Group
Large Cap Equity	8.5	15.7	SBBI Large Company Stocks	Large Blend
Mid Cap Equity	8.9	17.7	Russell Mid Cap	Mid-cap Blend
Small Cap Equity	9.3	21.6	SBBI Small Company Stocks	Small Blend
International Equity	9.1	17.6	MSCI EAFE	Foreign Large Blend
Emerging Market Equity	9.9	24.1	MSCI Emerging Markets	Diversified Emerging Markets
REITs	7.4	19.1	DJ US Select REIT	Real Estate
High Yield Bond	4.8	8.4	Credit Suisse High Yield Bond Index	High Yield Bond
Long-term Bond	3.9	10.1	Barcap U.S. Long Gov/Credit Bond	Long Term Bond
Intermediate-term Bond	3.3	4.6	Barcap U.S. Interm. Gov/Credit Bond	Intermediate Term Bond
International Bond	3.9	10.5	Citigroup World Gov Bond ex US	World Bond
Commodities	2.0	19.9	Gold, London PM Fix	Equity Precious Metals
Money Market	2.9	1.2	SBBI 30 day US Treasury Bill	Money Market Taxable

Correlation Matrix

	LCE	MCE	SCE	IE	EM	REIT	HY	LTB	ITB	IB	MO	CO
Large Cap Equity (LCE)	1.00	0.93	0.76	0.64	0.67	0.60	0.61	0.26	0.23	0.08	0.14	0.02
Mid Cap Equity (MCE)	0.93	1.00	0.88	0.63	0.70	0.68	0.68	0.25	0.22	0.06	0.11	0.06
Small Cap Equity (SCE)	0.76	0.88	1.00	0.53	0.66	0.66	0.66	0.14	0.12	-0.01	0.07	0.04
International Equity (IE)	0.64	0.63	0.53	1.00	0.67	0.47	0.51	0.19	0.19	0.45	0.13	0.19
Emerging Market Equity (EM)	0.67	0.70	0.66	0.67	1.00	0.49	0.55	0.11	0.10	0.14	0.05	0.24
REITs (REIT)	0.60	0.68	0.66	0.47	0.49	1.00	0.61	0.23	0.19	0.11	0.06	0.06
High Yield Bond (HY)	0.61	0.68	0.66	0.51	0.55	0.61	1.00	0.35	0.33	0.15	0.10	0.08
Long-term Bond (LTB)	0.26	0.25	0.14	0.19	0.11	0.23	0.35	1.00	0.88	0.44	0.31	0.04
Intermediate-term Bond (ITB)	0.23	0.22	0.12	0.19	0.10	0.19	0.33	0.88	1.00	0.51	0.42	0.07
International Bond (IB)	0.08	0.06	-0.01	0.45	0.14	0.11	0.15	0.44	0.51	1.00	0.19	0.29
Money Market (MM)	0.14	0.11	0.07	0.13	0.05	0.06	0.10	0.31	0.42	0.19	1.00	-0.12
Commodities (CO)	0.02	0.06	0.04	0.19	0.24	0.06	0.08	0.04	0.07	0.29	-0.12	1.00

Appendix C: fi360 Fiduciary Score® Methodology

The fi360 Fiduciary Score® is a peer percent ranking of an investment against a set of quantitative due diligence criteria selected to reflect prudent fiduciary management. For each investment with at least a three-year history, fi360 calculates the fi360 Fiduciary Score based on the following due diligence criteria: regulatory oversight, minimum track record, stability of the organization, assets in the investment, composition consistency with asset class, style consistency, expense ratio/fees relative to peers, risk-adjusted performance relative to peers, and performance relative to peers. Investments are evaluated at the conclusion of each month. If an investment does not meet an individual due diligence criterion, points are awarded. Investments that satisfy all of the due diligence criteria receive a fi360 Fiduciary Score of 0. Every other investment is given a Score of 1-100 based on their point total, and representing their percentile ranking within their peer group. The fi360 Fiduciary Score Average is a one-, three-, five- or ten-year rolling average of an investments fi360 Fiduciary Score. The Average Score is also calculated on a monthly basis. The fi360 Fiduciary Score represents a suggested course of action and is not intended, nor should it be used, as the sole source of information for reaching an investment decision. Visit fi360.com/fi360-Fiduciary-Score for the complete methodology document.