

For the  
**Example Plan Name**

**IMPORTANT NOTE:** The following Investment Policy Statement is a sample document provided for informational and discussion purposes. Plan sponsors and other responsible fiduciaries should consider their particular circumstances before adopting or making any changes to the Investment Policy Statements for their respective plans, and they should consult their own legal counsel and advisors for assistance.



Laurence Hale, AAMS, CRPS<sup>®</sup>  
James Zahansky, AWMA<sup>®</sup>  
Weiss, Hale & Zahansky Strategic Wealth Advisors  
697 Pomfret Street  
Pomfret Center CT 06259  
860-928-2341  
[www.whzwealth.com](http://www.whzwealth.com)

## Table of Contents

1. Plan Summary Information
2. Purpose of Investment Policy
3. Plan Objectives
4. Roles and Responsibilities
5. Asset Class Guidelines
6. Selection of Investment Options
7. Investment Monitoring and Reporting
8. Investment Option Replacement
9. Qualified Default Investment Alternatives
10. Coordination with Plan Document
11. Investment Policy Review
12. Appendix A
13. Appendix B

### 1. Plan Summary Information

Plan Sponsor: \_\_\_\_\_  
Plan Name: \_\_\_\_\_  
Plan Type: \_\_\_\_\_  
Plan Number: \_\_\_\_\_  
Plan Year-End: \_\_\_\_\_  
Participant Directed: \_\_\_\_\_

### 2. Purpose of Investment Policy

This Investment Policy Statement (“IPS”) is intended to assist the Plan Sponsor (“Plan Sponsor”) or other internal fiduciaries responsible for selecting and monitoring the Plan’s (“Plan”) investment options (“Plan Investment Fiduciary”) by establishing guidelines for making investment-related decisions in a prudent manner. It outlines the underlying philosophies and processes for the selection, evaluation, monitoring, and, if necessary, replacement of the investment options offered by the Plan. Specifically, the IPS:

- Defines the Plan’s investment objectives
- Defines the roles of those responsible for the Plan’s investments
- Encourages effective communications between the Plan Investment Fiduciary and all parties involved with investment management decisions
- Describes the criteria and procedures for selecting appropriate investment options
- Establishes investment procedures, measurement standards, and investment monitoring procedures
- Describes investment options and steps to be taken if an investment manager(s) fails to satisfy established objectives

This IPS is not a contract, and its guidelines are intended to provide a robust framework for making fiduciary investment decisions in a prudent manner. Thus, the guidelines included in this IPS should not be viewed as rigid, binding restrictions requiring blind adherence in all circumstances. This IPS will be reviewed periodically and, if necessary, may be amended to reflect changes in the capital markets, the Plan’s objectives, or other factors relevant to the Plan.

### 3. Plan Objectives

#### General Objectives

Plan participants are expected to have different investment objectives, time horizons, and risk tolerances. To meet those varying investment needs, the Plan allows participants to direct the investment of their account balances among a broad range of investment options to construct diversified portfolios that reasonably span the risk/return spectrum.

The Plan should also:

- Have the ability to pay all benefit and expense obligations when due
- Control and account for all costs of managing the Plan's investments
- Refrain from giving what could be construed as investment advice, except as may be provided by a fiduciary advisor operating under an investment advice arrangement
- Utilize the services of a Financial Advisor ("Financial Advisor") with the proper qualifications to provide assistance to the Plan Investment Fiduciary as it makes investment decisions on behalf of the Plan

#### ERISA Section 404(c) Safe Harbor

To the extent applicable in accordance with the governing plan document, the Plan intends to comply with the requirements of ERISA Section 404(c), which permits participants to exercise control over the assets held in their accounts, thereby relieving the Plan Investment Fiduciary of liability for losses that may result from the exercise of such investment control.

#### Qualified Default Investment Alternative

To the extent applicable in accordance with the governing plan document, the Plan intends to offer a qualified default investment alternative ("QDIA"), which will be in the form of **one** of the three options below:

1. Age-based life-cycle or target-date retirement fund series
2. Risk-based balanced fund with a balanced investment strategy
3. Managed accounts with an age-based life-cycle or target-date retirement investment strategy

### 4. Roles and Responsibilities

#### Plan Investment Fiduciary

The Plan Investment Fiduciary has primary responsibility for the oversight of the Plan's menu of investment options for participants. As determined under the Plan's governing documents and by action of the Plan Sponsor, as applicable, the Plan Investment Fiduciary may be the Plan Sponsor, the Trustee, and/or the Retirement Committee. The Plan Investment Fiduciary has the fiduciary responsibility to:

- Prepare, maintain, and review the IPS periodically
- Avoid prohibited transactions
- Assist in maintaining a procedural decision-making process that operates free from conflicts of interests, ensuring that fees are reasonable and decisions are made exclusively for the benefit of Plan participants
- Prudently select, monitor, and, if necessary, discontinue or replace investment options

### Recordkeeper

The recordkeeper has the responsibility to:

- Invest designated assets in accordance with the direction of Plan participants
- Provide regular performance reports and significant communications to the Plan Sponsor, Plan Investment Fiduciary, and Financial Advisor as applicable
- Provide daily oversight related to Plan administration and operations
- Assure timeliness of transactions and of booking contributions
- Maintain participant records

### Financial Advisor

The Financial Advisor serves as a third-party investment professional retained to assist the Plan Investment Fiduciary in managing the overall investment process for selecting and monitoring the Plan's menu of investment options.

## 5. Asset Class Guidelines

The Plan Investment Fiduciary believes long-term investment performance, in large part, is primarily a function of asset class mix. It has reviewed the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards.

The Plan intends to provide an appropriate range of investment options that may span the risk/return spectrum. Further, the Plan's investment options will allow participants to construct portfolios consistent with their unique individual circumstances, goals, time horizons, and tolerance for risk. Major asset classes to be considered may include:

- **Conservative investments:** These investment options focus primarily on capital preservation, including, but not limited to, money market, stable value, and guaranteed interest accounts.
- **Income investments:** Income-oriented investments include, but are not limited to, low-, medium-, and high-quality bond funds, with short-, intermediate-, and/or long-term duration. Management styles may include investments designed to mirror an index and/or actively managed investments using international, global, and/or domestic asset classes.
- **Equity investments:** These funds invest in equity securities, both domestic and foreign, including, but not limited to small, medium, and large market capitalization, with value, blend, and growth investment objectives that may include investments designed to mirror an index and/or actively managed investments.
- **Risk-based balanced funds:** These funds combine a stock component, a bond component, and, sometimes, a money market component in a single portfolio. Generally, these funds stick to a relatively fixed mix of stocks and bonds that reflects either an aggressive (higher equity component), moderate (approximately equal components), or conservative (higher fixed-income component) orientation.
- **Target-date investments:** Funds or accounts in this hybrid category automatically reset the asset mix (e.g., stocks, bonds, cash equivalents) in the portfolio according to a selected time frame appropriate for a particular investor's risk tolerance and time horizon. A target-date fund is structured to address some material event in the future, such as retirement.
- **Other:** Appropriate investments in other styles or asset classes offered through vehicles such as mutual funds, exchange-traded funds, commingled trusts, managed accounts, and insurance company separate accounts may be considered for diversification purposes, depending on the specific needs of the Plan and its participants.

The specific investment categories chosen by the Plan Investment Fiduciary are listed in Appendix A of this IPS. The Plan Investment Fiduciary may consider additional or different investment categories based on Plan needs as appropriate, and any such changes may be implemented by amending Appendix A of this IPS. In extraordinary

circumstances, the Plan Investment Fiduciary may discontinue or change the specific investment categories (prior to amending this IPS) as necessary if it determines that it would be prudent to do so.

## **6. Selection of Investment Options**

After determining the investment categories to be used, the Plan Investment Fiduciary will choose specific investment options for each category from the investment options offered by the Plan's investment provider.

As the Plan Investment Fiduciary engages in the process of selecting options, the investment services and materials provided by the investment provider will be considered.

The guidelines in this IPS are designed to help facilitate but not bind the Plan Investment Fiduciary in fulfilling its investment option selection duties. Thus, the Plan Investment Fiduciary should exercise discretion and reasonable judgment in the selection process described in this IPS. In fulfilling the Plan Investment Fiduciary's selection duty, certain investment criteria have been selected to assist the Plan Investment Fiduciary in determining whether a particular investment remains a suitable investment for the Plan. The investment criteria (including target metrics) that may be considered by the Plan Investment Fiduciary are set forth in Appendix A. Any target metrics should not necessarily be viewed as a minimum requirement, and the evaluation of an investment option should be based on all applicable factors. Special considerations for certain types of investment options, including, but not limited to, target-date funds and risk-based balanced funds that may be considered by the Plan Investment Fiduciary are set forth in Appendix B.

## **7. Investment Monitoring and Reporting**

Monitoring investments is an ongoing process and requires discipline. It is the mechanism for confirming that the selection process and its criteria continue to be satisfied and that an investment option continues to be suitable and appropriate for Plan participants. Although frequent change is neither expected nor desirable, monitoring performance relative to specified guidelines is part of the overall monitoring process.

Monitoring should be done regularly and follow the same criteria used for the initial selection of investments. Though not mandated, it is assumed that a formal review will be done at least annually. Further, the Plan Investment Fiduciary should consider any unusual, notable, or extraordinary events on a current basis. Examples of such events may include, but not be limited to, portfolio manager departure, violation of investment prospectus or guidelines, material disciplinary action or litigation against the investment management firm, violation of securities laws, or material changes in firm ownership structure.

The guidelines in this IPS are designed to help facilitate but not bind the Plan Investment Fiduciary in fulfilling its investment monitoring duties. Thus, the Plan Investment Fiduciary should exercise discretion and reasonable judgment in the monitoring process and in the replacement process described in this IPS. The investment criteria utilized for selection purposes also represent the investment criteria that will be used for ongoing monitoring purposes.

### **Performance Objectives**

The Plan Investment Fiduciary is aware that the ongoing review and analysis of the investment options is just as important as the initial selection of investment options. Investment performance will be monitored on an ongoing basis, and it is at the Plan Investment Fiduciary's discretion to take corrective action by replacing an investment option if deemed appropriate at any time.

The Plan Investment Fiduciary acknowledges that fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the Plan Investment Fiduciary intends to evaluate investment performance from a long-term perspective.

**It is important to note that past performance is no guarantee of future results and that the actual returns of asset classes will vary. Different types of investments involve varying degrees of risk. Therefore, it should not be assumed that future performance of any specific investment or investment strategy will be profitable, equal any historical performance levels, or be suitable for any specific participant's retirement portfolio.**

On a periodic and regular basis, but not less than annually, the Plan Investment Fiduciary will review whether each investment option continues to conform to the selection criteria outlined in the Selection of Investment Options section of this IPS, specifically:

1. The investment option's adherence to the selection criteria
2. Material changes in the organization, investment philosophy, and/or personnel of the investment option's manager
3. Any legal, Securities and Exchange Commission, and/or other regulatory agency proceedings affecting the investment option's manager

### **Benchmarks**

The Plan Investment Fiduciary has determined that it is in the best interest of Plan participants to establish performance objectives for each investment option. Manager performance will be evaluated in terms of an appropriate market index (e.g., the S&P 500 Index for the large-cap domestic equity manager) or the relevant peer group (e.g., the large-cap growth mutual fund universe for a large-cap growth mutual fund).

## **8. Investment Option Replacement**

The Plan Investment Fiduciary will give consideration to replacement of an investment option if:

- The option significantly underperforms without a justifiable rationale
- The option fails to achieve performance and risk objectives
- The option fails to maintain a consistent investment style
- The option otherwise fails to satisfy the Meets Criteria rating

There are no definitive rules for investment option replacement; however, if the investment has consistently failed to adhere to one or more of the above conditions, it may be reasonable to presume a lack of adherence going forward. Failure to remedy the circumstances of unsatisfactory performance within a reasonable period of time may be a basis for replacement.

In addition to those above, other factors may include investment option manager turnover or a material change to investment processes. Of course, the Plan Investment Fiduciary may also remove any investment option at any time and for whatever reason it deems appropriate, including a determination that the investment is no longer suitable for Plan participants.

An investment option may be addressed using one of the following approaches:

- Remove and replace (map assets) to an alternative investment option.
- Continue the investment option but add a competing investment option.
- Remove the investment option and do not provide a replacement investment option.

Replacement of an investment option would follow the same criteria used in the Selection of Investments section of this IPS.

## **9. Qualified Default Investment Alternatives**

The Department of Labor’s (“DOL”) QDIA regulations give Plan Sponsors and other fiduciaries safe harbor protection from certain fiduciary risks associated with default investments. Specifically, when a Plan utilizes a default investment that qualifies as a QDIA and complies with all other conditions under the applicable DOL regulations, defaulted participants (rather than Plan fiduciaries) are held responsible for their passive decision to invest in the default investment.

To qualify as a QDIA, the Plan’s designated default investment should be in the form of **one** of the three options below:

1. Age-based life-cycle or target-date retirement fund series
2. Risk-based fund with a balanced investment strategy
3. Managed accounts with an age-based life-cycle or target-date retirement investment strategy

## **10. Coordination with Plan Document**

If any term or condition of this IPS conflicts in any way with the Plan, the terms and conditions of the Plan shall prevail.

### 11. Investment Policy Review

The Plan Investment Fiduciary will review this IPS periodically to determine whether stated investment objectives are still relevant or whether changes to the IPS may be warranted. It is not expected, however, that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

This IPS shall remain in effect until revised or amended by the Plan Investment Fiduciary.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Appendix A**

Asset Classes	

Investment Criteria	

## Appendix B

### Special Considerations for Target-Date Funds

For any applicable multi-asset class investment options, such as target-date funds, the asset allocation and glide path will be evaluated to ensure suitability for the participant population, including younger employees and retired participants.

Analysis of the underlying structure will ensure broad asset class diversification and that the use of actively managed or passively managed funds aligns with Plan goals. In addition, management experience, philosophy, implementation, and risk management framework will all be considered. Fees shall be evaluated in the context of expected long-term value for the participant population.

### Special Considerations for Risk-Based Balanced Funds

For any applicable risk-based balanced funds, offerings must be broad enough to accommodate a variety of participant risk profiles and time horizons.

Since stocks are considered to be more volatile than bonds, a conservative balanced fund, with a higher bond component, may be more appropriate for investors who are less comfortable with risk or have a shorter time horizon. Conversely, a more aggressive balanced fund, with a higher equity component, may be more appropriate for investors with a higher tolerance for risk or who have a longer time horizon.

### Special Considerations for Managed Accounts

For any applicable managed account investment options, the investment process should be evaluated to determine how asset allocation modeling and portfolio construction may affect participant outcomes. Things to consider include, but are not limited to, investment assumptions (return, risk, correlation, etc.), the frequency with which the assumptions are reviewed, the use of active versus passive funds, and the asset classes used.

In addition, the full scope of participant services provided should be considered, including, but not limited to, call center support, the online experience, investment guidance tools, and reporting. Fees for managed accounts should be reviewed to ensure that they are reasonable in relation to the services provided.

### Special Considerations for Index Funds

For any applicable passively managed investment options, such as index funds, the investment may be evaluated to ensure alignment with the following guidelines:

- **Performance:** The returns of the investment option shall be compared to appropriate benchmarks, and investment performance shall approximate the return of the relevant benchmark after making a reasonable allowance for costs.
- **Investment process:** The investment option will seek to approximate the return of its target benchmark by investing in the same or a representative sampling of those securities that are held by the benchmark.