Investment Policy Statement Questionnaire—issues to consider

This Investment Policy Statement (IPS) Questionnaire is designed to assist you in understanding some of the underlying compliance issues associated with the investments in your employer-sponsored retirement plan. Although the Department of Labor ("DOL") considers it a best practice to have an IPS, there is no requirement in ERISA that an IPS be drafted. As your plan recordkeeping and fund provider, however, our goal is to share our knowledge and expertise to help you ensure that your plan is compliant and that your plan fiduciaries meet their fiduciary obligations. With that in mind, we believe that a written IPS may help a plan sponsor prudently select and better monitor their plan menu.

Before you start drafting or amending your IPS, it may be helpful for you to answer the questions below. Many of these questions raise issues to consider and are meant to serve as pointers in helping you analyze them.

The TIAA-CREF Investment Services Team and your Relationship Manager stand by to assist you as you compose or update your IPS. However, we do not serve as a fiduciary to your plan, do not provide investment advice or provide legal advice as part of this process. We recommend that all legal documents, including your IPS, be examined by your own legal counsel.

Institution name:

1. General retirement plan information:

Plan name(s): _____

Plan type(s) (mark all that apply):

Primary: ☐ Contributory ☐ Non-contributory
☐ 401(a) ☐ 403(a) ☐ 403(b)
☐ Defined Benefit ☐ Cash Balance Plan

Voluntary (supplemental): ☐ 401(k) ☐ 403(b) ☐ 457(b)

Plan(s) effective date(s): _____

_____

Plan fiduciary(ies): _____

Plan(s) year-end(s): _____

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Financial Services

2. Benefits policy prioritization

If you had to prioritize the following two objectives for each of your retirement plans, how would you prioritize and weight the following two objectives? Note that different plans may have different priorities. For example, the 403(b) plan your organization sponsors may be the primary retirement plan, while the 457(b) plan might be offered as a supplemental plan for state and local government employees.

a. It is the goal of our plan to help plan participants replace some portion of their preretirement income during retirement (that is, provide a monthly check in retirement similar to the paycheck the employee received while working, for life). If so, do you have a specific percentage of replacement income in mind for a career employee?

Priority____ (1 or 2) Weight____ (e.g., 50% of 100%)

b. It is the goal of the plan to help plan participants increase wealth.

Priority____ (1 or 2) Weight____ (e.g., 50% of 100%)

3. Procedural

a. Identify by name and job title each individual with decision-making authority and responsibility for investing the assets of the retirement plan(s). Describe the nature of those responsibilities:

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b. Is the retirement plan administered by a formal oversight committee? _____

If yes, does the oversight committee meet according to a regular schedule, and if so, how often?

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If the retirement plan does not have a formal committee, consider the merits of establishing a committee versus assigning a single or small group of administrator(s) with such responsibilities.

c. If you already have an oversight committee, do you prefer to set up individual groups charged with specific duties and responsibilities (e.g., a sub-investment committee) to monitor aspects of the underlying investment options? For example, do you plan to have a separate sub-committee responsible for analyzing investments, tracking performance and making recommendations? Will a separate group be responsible for identifying and selecting investment options for the plan rather than overseeing them once they are part of the investment lineup? If you do not have an oversight committee, would you like to establish one?

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d. Will the oversight committee for these plans report to any other oversight group (for example, the Finance Committee or the Board of Directors)?

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4. Oversight of plan funding options

a. **Adding options.** Do you currently have a formal approval process regarding adding to or removing an investment option from the plan? If not, would you like to have a formal approval process in place?

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b. **Number of funding options.** Do you currently impose a cap on the number or types of investments offered under the plan? If not, would you like to impose a limit on the number or types of plan investments?

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c. **Default investment option.** Do you currently have requirements on types of investment options, which can serve as the "default" investment option (for those participants not choosing a specific allocation)? If not, would you like to put these requirements in place?

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Do you want the default option to satisfy the safe harbor requirements under the QDIA (Qualified Default Investment Alternative) rules of ERISA?

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d. **Performance measurement.** Plan sponsors, who are fiduciaries under federal (ERISA) or state laws, should evaluate the performance of the funding options offered under their plan on a regular basis. Do you currently have a policy that imposes specific, objective performance criteria that determines whether an investment option should remain within the plan (e.g., 1-, 3-, 5-year performance above the median for each fund's peer group)? What benchmarks have been selected to measure investment performance? What was the basis of those selections?

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e. **Risk.** Some plan sponsors have specific provisions that set limits on the riskiness of funding options that can be offered under the plan—please comment (e.g., no emerging market, global bond or other perceived risky funding options).

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f. **Restrictions on certain funding options.** Some plan sponsors restrict or prohibit funding options that:

- invest over a certain percentage of their assets in noninvestment-grade securities;
- are not adequately diversified;
- invest only in certain industry sectors or geographic regions.

Do you have or would you like to have such a policy?

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Does your organization have any other policies that would limit specific types of investments (for example, socially responsible investment policies)?

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g. **Track record/assets under management.** Some plan sponsors require funding options to have a certain minimum track record or a minimum in assets under management in a particular investment strategy (e.g., three years). Do you have such a policy? If not, would you like to have this policy? Do you insist on having cohesive and long-tenured portfolio management teams? Do you have a policy for how you prefer being notified about any changes that occur in portfolio management teams?

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h. **Fees.** Some plan sponsors prohibit funding options that impose fees (expense ratios and/or management and expense charges in excess of a certain baseline as determined by fees charged by peer funds). Are limits set on sales loads and fee structures in your plan? Do you have or would you like to have such a specific policy?

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i. **Assessment of overall menu.** Some plan sponsors have policies that require funding options offered under the plan to include specific asset classes, investment management styles and risk levels or guidelines to ensure that there is no overlap in particular asset classes or style categories. Do you have or would you like to impose such a policy? For example, do you require that each investment not experience style drift?

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5. **Regular funding option review**

   a. **Investment review.** Some plan sponsors periodically review the funding options. Do you have or would you like to impose such a policy? If so, consider who would have such responsibility. How often would you like to have such a review?

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   b. **Watch list.** Some plans also have a policy for including funding options on a "watch list" that do not satisfy certain of its performance measures or other criteria as a step towards fund removal. Others have a clear policy on removing funds from a plan. Do you have or would you like to include such provisions?

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6. **Participant education**

   a. **Participant education.** Many plan sponsors have a well-defined structure for plan participant education, which may include offering financial education seminars and the distribution of investment and asset allocation literature, and other educational materials. Does your plan have a formalized participant education program? If so, please describe.

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   Would you like your participants to have the opportunity to participate in one-on-one counseling sessions?

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Additional information

7. What other criteria do you require to be a part of an investment policy statement?

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