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**ABC School District**  
**403(b) Plan**  
**Investment Policy Statement**

**August 3, 2007**

# INVESTMENT POLICY STATEMENT

**Plan Name:** ABC School District 403(b) Plan

**Plan Sponsor:** ABC School District

**Type of Plan:** 403(b)

**Date of IPS:** August 3, 2007

This Investment Policy Statement (IPS) is intended for use in connection with ABC School District's retention of StanCorp Investment Advisers, Inc. (The Standard) pursuant to the Investment Advisory or Services Agreement entered into by and between ABC School District (the Company) and The Standard in connection with ABC School District's 403(b) plan (Plan). This IPS shall remain in effect until terminated or amended by either ABC School District or The Standard.

## **Purpose of the Investment Policy Statement**

The purpose of this IPS is to:

- Set forth the ABC School District's and/or the Plan Trustees' objectives for structuring a retirement savings program suitable to the long-term needs and risk tolerances of Plan participants
- Formulate policies for selecting appropriate investments to be offered to Plan participants and beneficiaries covered by the Plan
- Establish prudent procedures for monitoring and evaluating the performance of investments within the Plan

## **Plan Purpose**

The Plan was established to provide a retirement savings program for the employees of ABC School District. The Plan is intended to operate in accordance with all applicable state and federal laws and regulations.

While participants are ultimately responsible for their own investment decisions, ABC School District, in conjunction with The Standard, will provide a range of investment options reasonably intended to provide participants the opportunity to develop, and to invest in accordance with, their own retirement objectives, risk tolerances and time horizons.

## **Plan Objectives**

ABC School District and/or the Plan Trustees, with recommendations from The Standard, will select and monitor the investment options in accordance with the following objectives:

- Promote and optimize retirement wealth accumulation by participants
- Provide participants with a full range of asset classes and investment options that are intended to help them meet their investment objectives
- Obtain Plan services and investment options at reasonable costs

**Effective Date**

The Trustees adopt this Investment Policy Statement effective \_\_\_\_\_.

ABC School District 403(b) Plan

**By:** \_\_\_\_\_  
Trustee

**By:** \_\_\_\_\_  
Trustee

**By:** \_\_\_\_\_  
Trustee

## APPENDIX A

### FUND SELECTION CRITERIA

#### **Selection of Investment Options**

Certain investment options will be selected to provide opportunities for diversification and various risk/return alternatives as deemed necessary and advisable by ABC School District and/or the Plan Trustees to reasonably accommodate the anticipated investment preferences of participants. It is ABC School District's intent to use the investment selection system as set forth below to aid in selecting investment options for participants.

Investment options will be selected to fill some or all of the following categories depending upon the anticipated investment preferences of participants.

#### Equity Investment Options: Various Market Capitalization and Investment Style

- Domestic Stock
- Foreign Stock
- Global Stock
- Specialty Stock
- Index

#### Bond Investment Options: Various Maturity and Credit Quality

- Government Bond
- General Bond
- High Yield Bond
- Multi-sector Bond
- Specialty Bond
- Index
- Money Market
- Stable Value

#### Asset Allocation Investment Options

- Target Maturity
- Balanced
- Lifestyle
- Index

#### **Investment Selection System**

ABC School District and/or the Plan Trustees will consider the following criteria in selecting investment options for the Plan. The following criteria shall apply only at the time of selection, unless otherwise specified below.

#### Fund History

Each investment option should have a minimum of three years of history. An investment option that has less than three years of history may be considered if the manager has demonstrated success in another investment option in the same category.

### Relative Performance

Each investment option is preferred to have performed in the top one-third of its respective category on both a three-year and five-year basis. Should the resulting population of investment options remain too small to provide a viable comparison given the other selection criteria, the universe may be expanded to include investment options that have performed above average as compared with their category on both a three-year and five-year basis.

Requiring each investment option to have performed above average for the previous 12 months will further refine the resulting universe of investment options for consideration. In the event that no investment option meets this performance criterion, greater emphasis will be placed on the other selection criteria.

### Investment Style

Each investment option is required to demonstrate style consistency with respect to its category for the previous three years. It is preferred that an investment option has been consistent with its category for the previous five years.

### Portfolio Structure

Each investment option is required to demonstrate an asset allocation strategy that is consistent with respect to its category based on the most recent disclosure of holdings. This metric is intended to compare the portfolio allocation to the asset classes including domestic stocks, foreign stocks, bonds, cash and derivatives.

Each investment option is required to demonstrate diversification with regard to the various sectors that is consistent with respect to its category based on the most recent disclosure of holdings. This metric is intended to compare the portfolio allocation to the various industries that are appropriate given the category of the investment option.

### Manager Tenure

Each investment option is required to have the same portfolio manager or a member of the same management team in place for at least the previous three years. An investment option that has a manager with less than three years of tenure may be considered if the manager has demonstrated success in another investment option in the same category.

### Minimum Assets

Each investment option is required to have a minimum of thirty-five million dollars in total assets. All share classes of an investment option will be combined to evaluate this criterion. This measure provides insight as to the adequacy of diversification and the ability of the portfolio to handle transactions at the institutional level.

### Expenses

Each investment option is required to have an overall expense ratio in the lowest cost share class available through the group annuity or trust product that is below average. Any other share class utilized will not have an expense ratio that is greater than 25% above the average expense ratio for the respective category.

### Operational Considerations

Each investment option is required to be available on a same-day settlement basis with the necessary institutional trading format required for retirement plans.

Each investment option is required to be available with no front-end or back-end sales charges. This provision is not intended to exclude investment options that waive these charges for retirement plans or those that impose fees for frequent trading.

Each investment option, with the exception of those categorized as Money Market or Stable Value, is required to fully disclose all associated costs through independent sources that are available to the public.

Each investment option, with the exception of those categorized as Money Market or Stable Value, is required to fully disclose information regarding portfolio structure, performance and manager tenure through independent sources that are available to the public.

#### Index Funds

Investment options that are considered to be Index Funds are excluded from the previous selection criteria. Index Funds should be ranked based on the amount of variation from the index that they emulate. This is referred to as “tracking error.” The investment option with the least amount of tracking error is the preferred option for its relative category.

## APPENDIX B

### FUND MONITORING CRITERIA

The investment options selected for use within the Plan will be reviewed on at least a semi-annual basis to permit ABC School District and/or the Plan Trustees to evaluate any material change from the selection criteria. The monitoring process will be facilitated by an Investment Monitoring Report and consulting services provided by The Standard pursuant to the Investment Services Agreement.

#### **Quantitative Assessment**

The following quantitative monitoring criteria will be reported in the Investment Monitoring Report.

#### Relative Performance

Once selected, each investment option is required to maintain above average performance for its respective category on either a three-year or five-year basis. This represents a modification to the initial selection criteria in the evaluation of relative performance.

#### Manager Tenure

Once selected, each investment option is required to have the same portfolio manager or a member of the same management team in place for at least the previous three years. An investment option that has a manager with less than three years of tenure may be retained if the manager has demonstrated success in another investment option in the same category.

#### Minimum Assets

Once selected, an investment option is required to have a minimum of thirty-five million dollars in total assets. All share classes of an investment option will be combined to evaluate this criterion.

#### Expenses

Once selected, an investment option is required to have an overall expense ratio that is no greater than 25 percent above the average expense ratio for its respective category.

#### **Other Criteria**

The following quantitative information will be monitored by StanCorp Investment Advisers but will not appear in the monitoring report. As a result, we may place a fund on the watch list for one or more of these criteria, even though the fund passes the monitoring report criteria.

#### Investment Style

Once selected, an investment option is required to demonstrate style consistency with respect to its category.

From time to time, the official characteristics of the categories are revised. As a result, an investment option may be moved to a different category, even though its management style and investment process remain the same. When this occurs, special consideration will be given to the facts and circumstances to determine the recommended course of action.

### Additional Performance Considerations

Occasionally investment options will meet the performance monitoring criteria, but perform below average for extended periods. If an investment option performs below average for three consecutive calendar years, the fund may be considered for removal, even if it meets the performance monitoring criteria.

### Portfolio Structure

Once selected, an investment option is required to demonstrate an asset allocation strategy that is consistent with respect to its category based on the most recent disclosure of holdings. This metric is intended to compare the portfolio allocation to the asset classes including domestic stocks, foreign stocks, bonds, cash and derivatives.

Once selected, an investment option is required to demonstrate diversification with regard to the various sectors that is consistent with respect to its category based on the most recent disclosure of holdings. This metric is intended to compare the portfolio allocation to the various industries that are appropriate given the category of the investment option.

### Fiduciary Stewardship

Once an investment option is selected, public and regulatory announcements will be monitored to determine if the responsible party for a selected investment option is meeting its regulatory and legal obligations.

The Standard may recommend for removal any selected investment option that fails to meet the monitoring criteria or presents other concerns. ABC School District and/or the Plan Trustees must consider the recommendation to replace any investment option with another investment option from the same category that meets the selection criteria. If an investment option is replaced, the assets will be transferred to the new investment option.

ABC School District and/or the Plan Trustees may request that any investment option be replaced for any reason. The Standard will comply with any such request. The Standard and/or the Plan Sponsor may also place investment options on a “watch list” for future monitoring until a definitive determination can be made with respect to such investment options.

### **Default Investment Option**

ABC School District and/or Plan Trustees are required to designate an investment option to be used as the default investment option for participants who do not provide a specific investment election unless the Plan has elected qualified default investment (“QDIA”) services. In that case, The Standard will designate the QDIA.

A balanced fund attempting to replicate the equity markets as measured by the Wilshire 5000 Index and the fixed income markets as measured by the Lehman Brothers Aggregate Bond Index, with an approximate allocation of 60 percent to stocks and 40 percent to bonds, is considered to be a prudent selection for the default investment option.

ABC School District and/or Plan Trustees will select an investment option meeting the above requirements as the default investment option.