

Sample Investment Policy Statement

ABC Company Retirement Plan - Participant Directed

Date:

This sample Investment Policy Statement should be reviewed by an attorney knowledgeable in this specific area of the law.

This material is designed to provide accurate and authoritative information on the subject matter; however, the material is not legal or tax advice. RBC Wealth Management does not provide legal or tax advice. Please consult your legal or tax adviser for advice.

THE PLAN

The [INSERT LEGAL COMPANY NAME] (“Plan Sponsor”) sponsors the [INSERT PLAN NAME] (“Plan”) for the benefit of its participating employees and their beneficiaries. It is intended to provide eligible employees a way to save for retirement. The Plan is an employee benefit plan intended to comply with all applicable federal laws and regulations, including the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The Plan’s participants and beneficiaries are expected to have different investment objectives, time horizons and risk tolerances. To meet these varying investment needs, participants and beneficiaries will be able to direct their account balances among a range of investment options to construct diversified portfolios that reasonably span the risk/return spectrum. **[Optional: The Plan is intended to comply with ERISA Section 404(c) and the regulations thereunder. If the Plan has satisfied the ERISA Section 404(c) requirements, participants and beneficiaries alone bear the risk of the investment results from their investment decisions and Plan fiduciaries have no liability for losses resulting from participants’ and beneficiaries’ investment decisions.]**

THE PURPOSE OF THE INVESTMENT POLICY STATEMENT

This Investment Policy Statement (“IPS”) is intended to assist the Employer and/or Investment Committee in making investment-related decisions for the Plan in a prudent manner. It outlines the underlying investment objectives and processes for the selection, monitoring and evaluation of the investment options utilized by the Plan. Specifically, this IPS seeks to:

- Outline the Plan’s investment objectives.
- Identify certain of the roles and responsibilities with respect to Plan investments.
- Describe the criteria and process for selecting and monitoring investment options for the Plan and, as appropriate, replacing Plan investment options.
- Describe the process for placing an investment option on a watch list.
- **(Optional: Describes the Plan’s approach to any self-directed brokerage, company stock and/or investment advice, see Appendix A).**

This IPS will be reviewed periodically and will be amended as deemed necessary or appropriate by the Plan Sponsor or other named fiduciary of the Plan, in accordance with the Plan documents.

INVESTMENT OBJECTIVES

In general, through the investment options available under the Plan, the Plan seeks to:

- Enable participants (and their beneficiaries, as applicable) to maximize total return within reasonable and prudent levels of risk.
- Provide returns comparable to returns for similar investment options.
- Provide exposure to a wide range of investment opportunities in various asset classes.
- Control investment costs.

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ROLES AND RESPONSIBILITIES

Those involved in the management and administration of the Plan's investments typically include, but are not limited to, the following:

Plan Sponsor is typically responsible for:

- Selecting the Plan trustee(s).
- Hiring the recordkeeper
- Hiring the investment consultant
- Appointing the members of the Investment Committee. **[See Appendix B for the list of current Investment Committee members, if applicable].**

Investment Committee is typically responsible for:

- Establishing and maintaining the Investment Policy Statement.
- Selecting investment options for the Plan.
- Monitoring the investment performance of the Plan's investment options and making any necessary changes to the investment options available under the Plan.
- Providing information to Plan participants regarding the Plan's investment options.

Trustee(s) is responsible for:

- Holding and investing Plan assets in accordance with the terms of the Trust Agreement.

Recordkeeper is responsible for:

- Maintaining and updating individual account balances and information regarding plan contributions, withdrawals and distributions.

Investment Consultant/Advisor(s) is typically responsible for:

- Assisting the Investment Committee in following a disciplined and prudent investment process to facilitate the Investment Committee's discharge of its fiduciary responsibilities.

Custodian (or the Trustee, if it is a bank or similar institution) is typically responsible for:

- Safekeeping of the Plan's assets.
- Routinely valuing the holdings.
- Collecting all income (including dividends and other earnings) owed to the Plan.
- Settling the Plan's investment transactions.
- Providing monthly reports that detail transactions, cash flows, securities held, and the current value and change in value of each security, and the overall portfolio, since the previous report.

SELECTION OF INVESTMENT OPTIONS

In selecting investment options for the Plan, the Investment Committee (or other named fiduciary of the Plan) seeks to apply the following guidelines:

Asset Class Guidelines

The Plan intends to provide an appropriate range of asset classes across the risk/return spectrum. Further, the Plan investment options are intended to allow Plan participants to construct portfolios consistent with their unique individual circumstances, goals, time horizons and tolerance for risk. The Investment Committee (or other named fiduciary of the Plan) has selected the following major asset classes, which, individually or in combination with each other, produce a diversified range of return and risk expectations. Additional portfolio diversification can be achieved by style and strategy provided within each class.

- Domestic Equities (which may include employer stock, as applicable)
- International Equities
- Domestic Fixed Income
- Cash Equivalents

One investment option will be designated as the “default” option for investment of contributions by participants who do not make an affirmative investment election. This default option may be changed at any time by the Investment Committee (or other named fiduciary of the Plan). **(Optional: The default option is intended to qualify as a Qualified Default Investment Alternative (QDIA) for purposes of ERISA Section 404(c)(5) and the regulations thereunder. If the Plan has satisfied the QDIA requirements, a participant who does not give investment directions will be treated as exercising control over his or her assets invested in a QDIA.)**

Minimum due diligence criteria for selecting investment options:

The Investment Committee (or other named fiduciary of the Plan) evaluates potential investment options for the Plan. In general, each investment option must be managed by a firm that meets the following minimum criteria:

1. It is a bank, insurance company or an investment adviser registered under the Investment Advisers Act of 1940.
2. It is operating in good standing with regulators and clients, with no material pending or adversely concluded legal actions (to the extent known from publicly available disclosures).
3. It provides sufficient information on the history of the firm, its investment philosophy, approach, products and services, its principals, clients, locations, fees and other relevant information.

Assuming the minimum due diligence criteria are met, the particular investment option under consideration will typically be evaluated in terms of additional standards that include:

1. Performance should be equal to or greater than the median returns for both an appropriate, style-specific benchmark and a peer group on a **(3 year and/or 5 and/or 10 year cumulative time period)**, or other appropriate period(s).

2. The investment option will not take on undue risk characteristics relative to the appropriate style specific benchmarks and peer groups. **(3-year Alpha and/or Sharpe Ratio compared to the median peer group).**
3. Inception date of the investment option should be at least **(3 years)** ago.
4. Total assets in the investment option should be a minimum of **(\$75 million)**.
5. It should demonstrate adherence to the stated investment objective(s) and principal investment strategies.
6. The investment option's holdings should be consistent with its style.
7. The investment option's fees and other charges and expenses should be reasonable and competitive compared to similar investments.
8. The same portfolio manager should be in place for a minimum of **(3 years)**.

INVESTMENT MONITORING AND REPORTING

The ongoing monitoring of investment options will be a regular and disciplined process. It is the mechanism for revisiting the selection process and confirming that the criteria originally satisfied remain so and that an investment option continues to be appropriate for the Plan. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an on-going process. Recognizing that short-term fluctuations may cause variations in performance, the Investment Committee (or other Plan fiduciary) intends to evaluate investment performance from a long-term perspective.

Monitoring will occur on a regular basis and, in general, utilize the same criteria that were the basis of the investment selection decision, subject to the Investment Committee's (or other Plan fiduciary's) consideration of any unusual, notable or extraordinary events regarding the investment option of which it becomes aware. Examples of such events include portfolio manager or team departure, modification of investment objectives in the prospectus, material litigation against the firm, or material changes in firm ownership structure, or announcements thereof.

Watchlist Procedures

In monitoring the Plan's investment options, the Investment Committee (or other Plan fiduciary) may identify one or more of the current investment options that in the judgment of the Investment Committee (or other Plan fiduciary) do not warrant immediate action to suspend or terminate the availability of the option under the Plan but nevertheless present concerns. The Investment Committee (or other Plan fiduciary) may place an investment option of this nature on a "watchlist."

Circumstances that may result in an investment option's being placed on a watchlist include, but are not limited to:

- The investment option performs below the median for its peer group over a **(3-and/or, 5-and/or 10-year cumulative period)** or other appropriate periods.
- The investment option's **(3-year)** risk-adjusted return (e.g., Alpha) falls below the peer group's median risk-adjusted return.
- There is a change in the portfolio manager(s) or investment team managing the investment.
- There is a significant decrease or increase in the assets of the investment option.

- There is an indication the investment option is deviating from its stated style and/or strategy.
- There is an increase in the investment option's fees or other charges and expenses.
- The occurrence of any extraordinary event occurs that may interfere with the ability of the manager of the investment option to perform its duties with respect to the investment option.

There is no fixed time period that an investment option may remain on the "watchlist." In general, an investment option may remain on the watchlist for a period of **(12 to 24 months)**; however, the Investment Committee (or other Plan fiduciary) retains the discretion to extend or reduce the time period that an investment option is on the watch list.

INVESTMENT OPTION TERMINATION

In general, an investment option will no longer be available for new investments by Plan participants or beneficiaries if the Investment Committee (or other Plan fiduciary) determines that the investment option fails to:

- Achieve performance and risk objectives;
- Comply with its investment guidelines;
- Comply with regulatory reporting requirements; or
- Maintain a stable organization and retain key relevant investment professionals.

A decision to terminate an investment option will be treated on an individual basis and typically will not be made solely based on quantitative data.

An investment option will be removed or replaced using one of the following approaches, as determined by the Investment Committee (or other Plan fiduciary) and as permitted by the Plan's governing documents:

- Remove and replace (map assets) with an alternative investment option.
- Freeze existing assets in the investment option and direct new assets to a replacement investment option.
- Phase out the investment option over a specific time period.
- Remove the investment option and do not provide a replacement option.
- Replacement of a terminated investment option would follow the criteria outlined in **Selection of Investments Options**.

COORDINATION WITH OTHER PLAN DOCUMENTS

Notwithstanding the foregoing, if any provision of this IPS conflicts with any term or condition of the Plan documents, the provisions of the Plan documents shall control.

ADOPTION

The Plan Sponsor and the Investment Committee retain the discretion provided to them under the Plan documents to take any action in connection with the Plan's investments, regardless of whether such action is consistent with the IPS, provided such action is consistent with ERISA.

Plan Name: _____

Adopted on this _____ day of _____, 200_ by the [ABC company]

Named Fiduciary: _____

Title: _____

Signature: _____

APPENDIX A - FURTHER GUIDELINES (OPTIONAL)

Self-Directed Brokerage — In an effort to provide additional investment flexibility, a self-directed brokerage option is offered in the Plan. The Plan's self-directed brokerage option allows participants to invest in any publicly traded securities, including stocks, bonds and mutual funds, subject to certain exceptions that include: short sales, options, futures, limited partnerships, currency trading and trading on margin. In developing and maintaining the Plan's self-directed brokerage option, the Investment Committee (or other Plan fiduciary) will evaluate the self-directed option provider for reasonable cost, competitive service capability and participant satisfaction. The Investment Committee (or other Plan fiduciary) will periodically review the self-directed option provider to determine that it remains an appropriate option for the Plan.

Company Stock — (ABC Company) stock is offered as an investment option pursuant to the terms of the Plan. Plan fiduciaries will be responsible for managing the investment of Plan assets in company stock according to the Plan documents.

Advice — The Investment Committee (or other Plan fiduciary) may retain an investment adviser to provide investment advice to Plan participants and beneficiaries. The Investment Committee (or other Plan fiduciary) will periodically review the advice provider to determine that it remains an appropriate service provider for the Plan.

**APPENDIX B - INVESTMENT COMMITTEE MEMBERS
(OPTIONAL)**

The following individuals are on the Investment Committee for the **(ABC Company 401(k) Plan)** and the members hereby accept appointment to serve as a member of the investment committee. I understand the fiduciary duties and responsibilities associated with my appointment. Please sign and date below:

Chairman:

Signature	Printed Name	Date
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Secretary:

Signature	Printed Name	Date
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Investment Committee Members:

Signature	Printed Name	Date
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Signature	Printed Name	Date
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Investment Committee members must notify the (ABC Company) in writing if they no longer wish to serve on the committee.