

University of Washington Retirement Plan (UWRP)

Investment Policy Statement of the Fund Review Committee

Goal of the Retirement Plan

The goal of the University of Washington Retirement Plan (the Plan) is to provide for the long-term retirement income of each participant by offering investment vehicles for contributions made by the University of Washington (UW) and each participant. The University does this by affording participants an opportunity to participate in a range of permissible investment funds to attain a range of possible returns within reasonable levels of risk.

Investment Philosophy

The Committee believes that the assets in the Plan should be managed in a fashion that reflects the best interests of the Plan and the participants, by incorporating accepted investment theory and reliable, empirical evidence. Specifically, the following principles have been adopted:

- Both cost and effort for the participant are minimized;
- Asset allocation drives return;
- Diversification is the primary risk control element;
- Returns should be evaluated over the long-term;
- A range of passive to active managed portfolios are provided.

Time Horizon & Risk Tolerances

Individual participants' investment horizons and risk tolerances will vary considerably. Interim fluctuations in investment performance should be viewed by the plan participants in light of these different horizons and tolerances. Due to the different investment horizons that individual Plan participants may face, the Committee recognizes that Plan participants will seek various combinations of risk and return to achieve their individual investment objectives.

Responsibilities of the Fund Review Committee

The duties and responsibilities of the Fund Review Committee (the Committee) include:

- Developing, reviewing, and revising the Plan's investment policies;
- Evaluating fund sponsors and individual investment option performance;
- Providing recommendations to the Executive Vice President to add or delete fund sponsors and/or investment options.

The Committee recognizes its responsibility to provide information to the campus community and work within campus practices. The Committee does not suggest, by setting forth its general investment policies and objectives in this Statement, that it or the Fund Sponsor(s) can guarantee the attainment of these objectives.

Fund Sponsor Responsibilities

The duties and responsibilities of the Plan's Fund Sponsor(s) include:

- Communicating with and reporting to the UW Benefits Office and the Committee on a regular basis;
- Notifying the Committee of any issue that may impact the investment of Plan assets, e.g., change in ownership, professional staff, investment philosophy and/or process;
- Investing Plan assets with the care, skill, prudence and diligence that a prudent investment professional would exercise in the investment of those assets; and
- Meeting as requested with the Committee to discuss investment strategy and review past performance.

Investment Option Review Criteria

The selection of investment options for the Plan will be performed in a manner consistent with generally accepted standards of fiduciary responsibility. All determinations undertaken on behalf of the Plan will be for the sole benefit of the Plan's participants and beneficiaries.

The Committee considers a number of qualitative and quantitative factors when selecting and monitoring any investment option recognizing that:

- Investment styles tend to move in cycles. Normally, investment performance for a mutual fund should be judged over a period of five years, i.e., a complete economic cycle. True investment success will be viewed as a long-term proposition.
- A fund's performance should be evaluated in the context of its investment style and peers, its role in the Plan's lineup, and in the context of the markets. In general, each investment option should outperform median returns for similar investment options as well as their prospectus market indices.
- Factors such as changes in manager's investment philosophy, manager tenure, and the fund sponsor's financial condition may introduce unacceptable uncertainty when considering the long-term use of the fund in the Plan.
- Low expenses and cost management provide additional return to the participants.

At its discretion the Committee may recommend assistance from outside consultants to assist in the evaluation of data, and make recommendations for fund additions and/or replacements. The consultants will be appointed by, and will serve the Plan by, acting in the best interest of plan participants and their beneficiaries.

The Committee will track performance of investment options on a semiannual basis and fully review these options at least annually. No single qualitative or

quantitative factor will determine whether an investment option should be added, retained, or eliminated; however, certain factors may carry more weight in the Committee's final analysis.

Should an investment option fail to satisfy its performance criteria, or should some other material change prompt concerns as to the appropriateness of a fund to continue to serve as an investment option in the Plan, the Committee may recommend any or all of the following actions:

- Establish a probationary period during which the area of concern will be assessed and, if necessary, corrected;
- Supplement the investment option with another investment option for that category;
- Replace the investment option with another investment option for that category;
- Eliminate that investment option.

Review of Statement

This Statement of Investment Policies and Guidelines will be reviewed periodically by the Committee and will be amended when warranted by changing terms of the Plan or changing market conditions. Any changes the Committee makes to this Statement must be provided in writing to the appropriate parties and University committees as soon as possible. The Committee will make detailed information about the Plan and investment options available to employees.