University of Washington

Investment Policy Statement of the Fund Review Committee
University of Washington
Investment Policy Statement of the Fund Review Committee

Goal of the Retirement Plan
The goal of the University of Washington Retirement Plans (the Plans) are 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 Plans should be managed in a fashion that reflects the best interests of the Plans 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 is 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 Plans 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 Plans’ 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 Plans’ 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 Plan assets invested in funds managed by the fund sponsor, 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 Consultant Responsibilities
At its discretion the Committee may utilize assistance from outside consultants to assist it in overseeing the investment program. The investment consultant’s role is to serve as an advisor to the Committee, with all investment discretion retained by the Committee. The consultants will be appointed by, and will serve the Plans by, acting in the best interest of plan participants and their beneficiaries.

The responsibilities of the investment consultant may include assistance or services in some or all of the following areas:

• Assist the Committee in the development and review of the Investment Policy Statement;

• Provide proactive advice to the Committee on investment structure and underlying investment options;

• Assist the Committee in the ongoing performance evaluation of the investment options;

• Assist in the selection of new investment options and the termination of options;

• Provide quarterly performance evaluation reports, including absolute and relative performance of each of the investment options relative to appropriate market indices and universes;

• Provide materials and address topics of interest related to the discussion of plan structure, policies and objectives, and other topics of relevance to the investment program; and

• Meet as requested with the Committee to discuss investment strategy and review performance of the investment program.
**Investment Option Review Criteria**

The selection of investment options for the Plans will be performed in a manner consistent with generally accepted standards of fiduciary responsibility. All determinations undertaken on behalf of the Plans will be for the sole benefit of the Plans’ 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 Plans’ lineup, and in the context of the markets. In general, each actively managed investment option should outperform median returns for similar investment options as well as an appropriate market benchmark.

- Factors such as changes in investment option’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 Plans.

- Low expenses and cost management provide additional return to the participants.

The Committee will track performance of the investment options on a quarterly basis and fully review these options at least annually. The Committee will establish tools to assist the Committee in evaluating investment options on an ongoing basis. 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 Plans, 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 Plans 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 Plans and investment options available to employees.