

**Investment Policy Statement  
for Participants of the  
National Employers Retirement Trust**

## Table of Contents

I.	Definitions	3
II.	History and Function, Purpose and Responsibilities	3
III.	Investment Policy	5
IV.	Investment Guidelines	7
V.	Investment Objectives	9
VI.	Administrative and Review Procedure	9

## I. Definition

The National Employers Retirement Trust (The Trust) is an IRS Qualified Group Trust established for the benefit of adopting plan sponsors of eligible deferred compensation plans and qualified retirement plans organized under Section 401 of the Internal Revenue Code. The Trust is designed and maintained to provide employees of Plan Sponsors and Plan Participants with the opportunity to increase retirement income to supplement Social Security benefits through the receipt and investment of Plan Sponsor contributions.

## II. History and Function, Purpose and Responsibilities

### History and Function

The Trust is designed to be tax-effective and flexible to meet individual participant circumstances. The level of contributions is set by the terms of the Plan, as established by the Plan Sponsor in its capacity as the Plan's settlor. Employees may share responsibility for the level of their retirement benefits by allocating their funds among the investment alternatives offered by the Trust.

### Purpose

The purpose of this Investment Policy Statement ("IPS") is to state the responsibilities of all parties involved with the Plan, and to state the Investment Policy, the Investment Guidelines, the Investment Objectives and the Administrative and Review Procedures that will be followed in implementing the IPS.

This IPS will assist the Plan Sponsor in more effectively communicating with and monitoring the various investment funds that will be engaged from time to time to manage the assets of the Plan.

### Responsibilities

#### Responsibilities of Plan Sponsor

The Plan Sponsor recognizes the responsibility to assure that the assets of the Plan are managed:

1. for the exclusive interest of the Plan's participants and beneficiaries;
2. effectively, prudently, and in compliance with all applicable laws.

The specific responsibilities of the Plan Sponsor in the investment process are limited to:

1. the appointment of the trustee(s) of the Plan;
2. hiring appropriate outside investment advisors;
3. complying with relevant aspects of ERISA, including ERISA Section 404(c), and other pertinent regulations and rulings;
5. developing a sound and consistent investment policy;
6. developing sound and consistent investment guidelines;
7. establishing reasonable investment objectives;
8. selecting appropriate investment vehicles offering at least three core, materially different investment choices;
9. monitoring and evaluating performance results to assure that investment guidelines are being adhered to and that investment objectives are being met;
10. taking appropriate action with regard to an investment fund for a material failure to perform as expected;
11. providing employees with:
  - a. description of the investment alternatives for each investment fund, including descriptions of their risk/return characteristics;
  - b. sufficient opportunity to invest and direct, or to change investment direction, no less frequently than quarterly;
  - c. the names of the investment managers for each available investment fund;
  - d. explanations of how, to whom and when investment instructions can be made; and
  - e. the name, address and telephone number of the Plan fiduciary responsible for providing additional information available upon request.

12. making available to employees upon request:

- a. a list of assets and the name of the issuer of any contract, the term of the contract and the rate of return of the contract with respect to any fixed rate contract issued by a bank, savings and loan association or insurance company;
- b. information concerning the value of each investment fund and its past and current investment performance;
- c. a description of annual operating expenses and the aggregate amount of such expenses expressed as a percentage of average net assets of each investment fund;
- d. prospectuses, financial statements and reports of each investment fund; and individual investment performance of a participant's account, upon request.

### Responsibilities of the Investment Funds

The assets of the Plan allocated by the participants among investment funds are to be managed in accordance with the Investment Guidelines expressed herein.

Each investment fund (a "Fund") is expected to exercise complete investment discretion over the assets it is allocated. Such discretion includes decisions to buy, sell or hold equities or fixed income securities (including cash and cash equivalents) in amounts and proportions reflective of that Fund's investment philosophy and in accordance with the Investment Guidelines of this IPS.

Each Fund is responsible for strict compliance with the provisions of ERISA and all other applicable laws, regulations and rules. It is expected that the assets of the Trust allocated to a Fund will be invested with care, skill, prudence and diligence under the circumstances then prevailing that a "prudent expert," acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims.

### III. Investment Policy

The Investment Policy describes the broad investment philosophy of the Trust and identifies the various investment categories (the "Investment Categories") that will be offered to the Trust participants. Investment Categories may be comprised of one or more Funds.

#### Investment Categories

The Plan Sponsor believes that the Plan's assets should be managed in a way that reflects the statements that follow:

The Plan Sponsor has determined that to meet the risk tolerance preferences of individual Plan participants and to provide Investment Categories with varying risk/return characteristics in accordance with ERISA 404(c) so that participants of all ages and income levels are able to invest according to their differing needs and levels of tolerance for risk, the following Investment Categories will be offered to participants:

- 1) Guaranteed Interest
- 2) Government Securities
- 3) Bonds – broad bond market
- 4) Standard & Poors 500 Index
- 5) Specialized Equity
- 6) International
- 7) Balanced
- 8) Real Estate
- 9) Commodities

The Plan Sponsor has determined that for participants who do not select any Fund, the default allocation will be the Traditional Pension Model Portfolio, a broadly diversified and rebalanced portfolio.

The Plan Sponsor is not responsible for asset allocation decisions among the funds (excepting the Model Portfolios) offered nor the performance of any participant's account. Each participant must recognize that he/she is ultimately responsible for that asset allocation and the resulting performance of that participant's portfolio.

Where appropriate, asset allocation between asset categories will be decided by each Fund in accordance with its investment style and evaluation of investment climate.

Funds will be chosen from a universe of investment funds that consistently apply the desired styles of each Investment Category.

Other Investment Categories may, from time to time, be made available to Plan Participants by the Trust with investment philosophies that complement the existing Investment Categories, subject to the Investment Advisor's Administrative and Review Procedure

#### Investment Fund Characteristics

Each Fund should have the following characteristics:

1. at least three years of supportable performance track record (where appropriate) or, in the alternative, other objective criteria indicative of acceptable performance potential;
2. at least \$10,000,000 under management (where appropriate);
3. defined parameters for diversification;
4. a readily available daily share price or unit value; and
5. the portfolio manager must be a registered investment advisor with the Securities and Exchange Commission (if legally required).

#### IV. Investment Guidelines

Investment Guidelines are the specific criteria that each Fund must adhere to in investing the Plan's assets for each specific Investment Category. These are the boundaries for the types of securities, the quality of securities and diversification that the Fund must follow in managing the assets.

##### Guaranteed Interest

This Investment Category seeks preservation of principal and competitive current income through investment in limited maturity (less than 2 years), fixed income instruments issued by companies with investment grade debt as rated by a recognized rating agency and/or government/agency securities.

Holdings should be reasonably diversified to the extent it is prudent to do so.

##### Government Securities

This Investment Category seeks current income by investing primarily in debt securities issued by The United States Government and/or Foreign Governments with investment grade ratings.

Holdings should be reasonably diversified to the extent it is prudent to do so.

##### Bond Category

This Investment Category seeks income by investing primarily in the broader bond/fixed income securities markets. Managers may influence returns through credit analysis, sector rotation, and interest rate forecasting. No more than ten percent (10%) of the holding shall be below investment grade, as rated by a recognized rating agency, at any time.

At times a fund specializing in non-dollar bonds may be offered to allow participants the option further diversification into foreign currencies and non-US interest rates.

Holdings should be reasonably diversified to the extent it is prudent to do so.

##### Standard & Poor's 500 Index

This Investment Category seeks to provide returns similar to those of the Standard & Poor's 500 Index by investing in those companies in similar weights as they are published in the Standard & Poor's 500 ranking.

##### Specialized Equity & Fixed Managers

At its discretion, the Plan sponsor may offer funds with specialized expertise to enhance the returns or for convenience of the participants. These funds may attempt to add value through asset allocation, sector

rotation, specialized expertise in market segments, or other strategies. They may also be offered for the convenience of the participants where a fund's investment strategy may relieve the participant of investment concerns such as rebalancing the asset allocation. For these offerings the individual participant is responsible for determining the suitability of the fund to his/her unique circumstances.

## Real Estate

The Plan may offer an option investing primarily in real estate. Historically, real estate has provided the advantages of income, and diversification when incorporated with traditional securities portfolios

## Commodities

The Plan may offer a commodities option. Commodities function not only to diversify the asset base, but may also be used by participants seeking inflation protection.

## V. Investment Objectives

Each fund's Investment Objective shall be to meet or exceed the return of its peer group with equal or lesser risk than other using its investment style.

Each Fund must make responsible decisions in the selections of specific securities and the general timing of purchases and sales necessary to achieve a satisfactory overall return. Derivatives may be used where appropriate in the Fund at the discretion of the manager. The Plan Sponsor makes no guarantee that the objectives shall be attained.

Each Fund's risk characteristics should be commensurate with the appropriate risk characteristics of the Fund's peer group average.

In addition to individual Funds, the Plan may also offer participants 'Model Portfolios'. Model Portfolios are offered to the participants as a way for them to invest in a broadly diversified portfolio without needing investment expertise. The Plan currently offers 4 Model Portfolios with varying degrees of risk. While questionnaires and advice may be provided, it is the responsibility of each participant to weigh the risk of each Model Portfolio and select the appropriate mix.

Model Portfolios will be rebalanced at regular intervals.

## VI. Administrative and Review Procedure

On a periodic basis, but no less frequently than annually, the Investment Advisor will review actual results achieved by each Fund to determine whether:

1. the Fund performed in adherence with the investment policy and investment guidelines set forth herein;
2. the Fund performed satisfactorily when compared with the appropriate market indices;
3. the Fund performed satisfactorily when compared with its peer group.

Upon such review, if the Investment Advisor shall determine that a Fund is not currently meeting the expectations outlined by this IPS but has reasonable expectations of doing so in the foreseeable future, such Fund will be subject to a higher level of scrutiny involving the collection and analysis of additional data or information pertinent to its under-performance.

If the Investment Advisor shall determine that a Fund is not currently meeting the expectations outlined by this IPS and has no reasonable expectations of doing so in the foreseeable future, the Investment Advisor will recommend to the Trust a Fund which may reasonably be expected to meet the performance expectations of the Investment Category for which it is intended. The Trust Administrator shall communicate and provide sufficient time to implement an orderly reinvestment process.

The Investment Policy Statement is made effective as of the date of the Application for Participation as adopted.