

Sample Statement of Investment Policy

Prepared for:

Sample Policy Statement

Sample Pension Plan

Section 1 - Executive Summary

Name of institution	Sample Policy Statement Sample Pension Plan
Name of account	Defined Contribution - Participant Directed
Inception date of Plan	April 1, 1984
Portfolio value	\$50,000,000 as of June 30, 2003
Portfolio time horizon	Perpetuity
Primary investment objective	Total investment return
Specific investment strategies	Income and Growth
Absolute investment strategies	Absolute real return of 3.00% Return in excess of market index by 1.00%
Evaluation benchmark	20.00% S&P 500 15.00% Russell 2000 15.00% MSCI EAFE 45.00% LB Aggregate 5.00% T-Bill (90 Day)

Section 2 - Introduction & Purpose

This statement of investment policy is set forth by the Pension Board of the Sample Policy Statement Sample Pension Plan to reflect the investment policy, objectives, and constraints of the entire Plan.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

The statement of investment policy consists of the following sections:

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The Pension Board of the Sample Policy Statement Sample Pension Plan is a fiduciary, and is responsible for directing and monitoring the investment management of Plan assets. As such, the Pension Board is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

Investment Management Consultant

The consultant may assist the Pension Board in: establishing investment policy, objectives and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

Investment Manager

The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Plan's investment objectives.

Custodian

The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Plan, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold as well as movement of assets into and out of the Plan accounts.

Co-Trustee

The Pension Board may appoint an outside individual or entity, such as a bank trust department, to be co-trustee. The Co-trustee will assume fiduciary responsibility for the administration of the Plan assets.

Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others may be employed by the Pension Board to assist in meeting its responsibilities and obligations to administer Plan assets prudently.

The Pension Board will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such expenses must be customary and reasonable, and will be borne by the Plan as deemed appropriate and necessary.

Definitions

- **Plan** shall mean the Sample Policy Statement Sample Pension Plan.
- **Pension Board** shall refer to the governing board established to administer the Plan as specified by applicable ordinance.
- **ERISA** shall mean the Employee Retirement Income Security Act of 1974, any amendments thereto, and any regulations issued pertaining to the Act.
- **Fiduciary** shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Plan assets.
- **Investment Manager** shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Plan assets.
- **Investment Manager Consultant** shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
- **Securities** shall refer to marketable investment securities which are defined as acceptable in this statement.
- **Investment Horizon** shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this Fund is Perpetuity.

Section 3 - Assignment of Responsibility

Responsibility of the Pension Board of the Plan

The Pension Board is charged by law with the responsibility for the management of the assets of the Plan. The Pension Board shall discharge its duties solely in the interest of the Plan, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent man, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Pension Board relating to the investment management of Plan assets include:

- Adhering to the guidelines as defined in ERISA and all other applicable regulations.
- Projecting the Plan's financial needs, and communicating such needs to the Investment Managers on a timely basis.
- Determining the Plan's risk tolerance and investment horizon, and communicating these to the appropriate parties.
- Establishing reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Plan's assets.
- Prudently and diligently selecting qualified investment professionals, including Investment Managers, Investment Consultants, and Custodians.
- Regularly evaluating the performance of the Investment Managers to assure adherence to policy guidelines and monitor investment objective progress.
- Developing and enacting proper control procedures; i.e. replacing Investment Managers due to fundamental change in investment management process, or failure to comply with established guidelines.

Responsibility of the Investment Managers

Each Investment Manager must acknowledge in writing its acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager include:

- Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
- Reporting, on a timely basis, quarterly investment performance results.
- Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the Plan's investment management.
- Informing the Pension Board regarding any qualitative change to investment management organization: i.e. changes in portfolio management personnel, ownership changes, investment philosophy, etc.
- Voting proxies, if requested by the Pension Board, on behalf of the Plan, and communicating such voting records to the Pension Board on a timely basis (unless this responsibility is reserved by the Pension Board).

Responsibility of the Investment Consultant

The Investment Consultant's role is that of a non-discretionary advisor to the Pension Board of the Sample Policy Statement Sample Pension Plan. Investment advice concerning the investment management of Fund assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines, and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:

- Assisting in the development and periodic review of investment policy.
- Conducting investment manager searches when requested by the Pension Board.
- Providing "due diligence", or research, on the Investment Managers.

- Monitoring the performance of the Investment Managers to provide the Pension Board with the ability to determine the progress toward the investment objectives.
- Communicating matters of policy, manager research, and manager performance to the Pension Board.
- Reviewing Plan investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Pension Board.

Section 4 - Investment Objectives

General Investment Principles

- Investments shall be made solely in the interest of the beneficiaries of the Plan.
- The Plan shall be invested with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent man, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.
- Investment of the Plan shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
- The Pension Board may employ one or more investment managers of varying styles and philosophies to attain the Plan's objectives.
- Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.
- Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
- Understanding that risk is present in all types of securities and investment styles, the Pension Board recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Plan's objectives. However, the investment managers are to make reasonable efforts to control risks, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment styles and objectives.
- Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

Specific Investment Strategies and Goals

Absolute real return of 3.00%

Return in excess of market index by 1.00%

The investment goal(s) above are the objectives of the aggregate Plan, and are not meant to be imposed on each investment account. The goal of each investment manager, over the investment horizon, shall be to:

- Meet or exceed the market index, or blended market index, selected and agreed upon by the Pension Board that most closely corresponds to the style of investment management. The list of selected benchmarks is displayed in Appendix A of this statement.
- Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

Specific investment goals and constraints for each investment manager, if any, shall be incorporated as part of this statement of investment policy. Each manager shall receive a written statement outlining his specific goals and constraints as they differ from those objectives of the entire Plan.

Section 5 - Risk & Liquidity

Definition of Risk

The Pension Board realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Sample Policy Statement Sample Pension Plan assets understands how it defines risk so that the assets are managed in a manner consistent with the Plan's objectives and investment strategy as designed in this statement of investment policy. The Pension Board defines risk as **the probability of not meeting the fund's liabilities or cash flow requirements.**

Liquidity Requirements

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Pension Board will periodically provide investment counsel with an estimate of expected net cash flow. The Pension Board will notify the investment consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves.

To maintain the ability to deal with unplanned cash requirements that might arise, the Pension Board requires that a minimum of 2.00% of Plan assets shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury securities.

After giving consideration to the Plan's longer-term objectives and liquidity requirements, the Pension Board requires at least 90.00% of Plan assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Plan, with a minimal impact on market price.

Diversification of Investment Managers

The Pension Board does not believe it is necessary or desirable that securities held in the Plan represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification:

- the securities of any one company or government agency should not exceed 5.00% of the total Plan.
- there is no required level of diversification for industries.
- there is no required level of diversification for individual Treasury securities.
- there is no required level of diversification for total allocation to Treasury securities.

Guidelines for Fixed Income Investments and Cash Equivalents

Plan assets may be invested only in fixed income securities rated A1/A+ (Moody's/Standard & Poors) or better.

Money market funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade (BBB- by Standard & Poors or Baa3 by Moody's).

Section 6 - Asset Allocation

Aggregate Plan Asset Allocation Guidelines

Investment management of assets of the Sample Policy Statement Sample Pension Plan shall be in accordance with the following asset allocation guidelines (at market value):

<u>Asset Sub-Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>	<u>Benchmark</u>
Large Cap Equities	10.0%	20.0%	35.0%	Russell 1000
Small/Mid Equities	5.0%	15.0%	20.0%	Russell 2000
Non-US Equities	5.0%	10.0%	15.0%	MSCI EAFE
US Fixed Income	35.0%	50.0%	65.0%	LB Aggregate
Non-US Fixed Income	0.0%	0.0%	0.0%	SSB World Gov Bond
Cash Equivalents	2.0%	5.0%	10.0%	T-Bill (90 Day)

The Pension Board may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Plan, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the Pension Board regarding specific objectives and guidelines.

In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Pension Board will instruct the Investment Managers to bring the portfolios into compliance with these guidelines as promptly and prudently as possible.

In the event that any individual Investment Manager's portfolio is in violation with its specific guidelines, for reasons including but not limited to market price fluctuations, the Pension Board expects that the Investment Manager will bring the portfolio into compliance with these guidelines as promptly and prudently as possible without instruction from the Pension Board.

Section 7 - Investment Guidelines

Allowable Equity Securities

- Common stocks
- Convertible notes & bonds
- Convertible preferred stock
- Non-US common or preferred stock
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Allowable Fixed Income Securities

- US Government & Agency securities
- Corporate notes & bonds
- Mortgage backed bonds
- Preferred stock
- Collateralized Mortgage Obligations (CMO's)

Allowable Cash Equivalent Securities

- Treasury bills
- Money market funds
- STIF funds
- Commercial paper
- Banker's acceptances
- Repurchase agreements
- Certificates of deposit

Allowable Other Securities

- GIC's
- Real estate investments
- Venture capital investments
- Commodities & futures contracts
- Private placements
- Options

Prohibited Transactions

There are no specific prohibited transactions.

Stock Exchanges

To ensure marketability and liquidity, investment advisors will execute equity transactions through the following exchanges:

- New York Stock Exchange
- American Stock Exchange
- NASDAQ over-the-counter market

Prohibited Equity Securities

- ADR's of non-US corporations
- Mutual funds that invest in equities

Prohibited Fixed Income Securities

- Non-US fixed income securities
- Mutual funds that invest in debt securities

Prohibited Cash Equivalent Securities

Prohibited Other Securities

- Limited partnerships

In the event that an Investment Manager determines that there is a benefit or a need to execute transactions in exchanges other than those listed in this policy statement, written approval is required from the Pension Board.

Section 8 - Definitions of Benchmarks

Russell 1000

A domestic equity benchmark that measures the performance of the 1,000 largest companies in the Russell 3000 Index, and represents approximately 92% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization

Russell 2000

A domestic equity benchmark that measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization.

MSCI EAFE

A market capitalization weighted equity index composed of companies representative of the market structure of 20 Developed Market countries in Europe, Asia (including Australia) and the Far East.

LB Aggregate

A fixed income benchmark composed of securities from the Lehman Brothers Government/Corporate Bond Index (investment grade bonds with maturities greater than 1 year), Mortgage-Backed Securities Index (fixed-rate securitized mortgage pools by GNMA, FNMA and the FHLMC), and the Asset-Backed Securities Index (credit card, auto and home equity loans). Total return comprises price appreciation/depreciation and income as a percentage of the original investment.

T-Bill (90 Day)

A fixed income benchmark composed of 3-month United States Treasury Bills purchased at the beginning of each of three consecutive months.



Sample Investment Policy Statement for Participant Directed Plans

Investment Policy of the ABC Company 401(k) Plan

Introduction

ABC Company, Inc. (the "Company") sponsors the ABC Company 401(k) Plan (the "Plan") for the benefit of its employees. The Plan is intended to provide eligible employees with a source of retirement income through a combination of accumulated employee and employer contributions and investment returns.

The Plan is a tax-qualified retirement plan that is intended to meet the requirements of the Internal Revenue Code of 1986, as amended (the "Code") and the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Plan is participant directed and is intended to meet the requirements of Section 404(c) of 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 should be able to direct the investment of their individual account balances among a broad range of investment options to construct diversified portfolios that reasonably span the spectrum of risk and return.

Purpose

The [Investment Committee/ABC Company, Inc.] (the "Named Fiduciary") is charged with the responsibility for the investment of the assets of the Plan. To fulfill its fiduciary obligations with respect to the Plan, the Named Fiduciary has engaged in a logical and diligent process to select a menu of investment options that will provide Plan participants with the range of choices necessary to allow them to meet their retirement needs, and adequate protection against excessive investment risk.

This Investment Policy reflects the results of this process and sets forth the manner in which Plan investment options will be selected and monitored, consistent with the fiduciary standards of ERISA; namely that (1) all transactions undertaken must be in the sole interest of Plan participants and their beneficiaries to provide benefits and defray reasonable expenses of Plan administration in a prudent manner, and (2) assets shall be diversified in order to minimize the risk of large losses.

Specifically, this Investment Policy:

1. States the Named Fiduciary's expectations, objectives, and guidelines with respect to the investment of Plan assets.
2. Defines the roles of those responsible for the Plan's investments.
3. Establishes the number and characteristics of investment options offered.
4. Establishes procedures for selecting, monitoring and, if appropriate, replacing investment options.
5. Describes the Named Fiduciary's approach to investment in Company Stock.

Duties and Responsibilities*The Named Fiduciary*

The Named Fiduciary acknowledges its responsibility as a fiduciary under ERISA. In this regard, the Named Fiduciary must act prudently and for the exclusive interests of the Plan participants and their beneficiaries.

More specifically, the Named Fiduciary's primary responsibilities are to:

1. Prepare and maintain the Investment Policy.
2. Select investment options to achieve stated investment objectives.
3. Make available asset classes with distinct risk and return profiles so that each participant may adequately diversify his or her account.
4. Avoid prohibited transactions and conflicts of interest.
5. Provide or make available investment education and communication to Plan participants.
6. Periodically review and evaluate the investment results of the selected investment options against established performance measurement criteria.

The Trustee

The trustee is responsible for collecting and holding Plan assets in trust for the exclusive purpose of providing benefits to Plan participants and their beneficiaries.

Investment Policy

Because the Plan is an individual account type plan, it is recognized that the participants bear the ultimate risk for how well their Plan investment elections perform over time. Therefore, in order to better meet diverse investment needs, time horizons, objectives and risk tolerances of the participants, the Named Fiduciary's policy is to choose from a wide variety of asset classes.

At all times there must be a minimum of [complete] (at least three) investment categories represented among the Plan assets. There will be no maximum limit to the number of categories.

Investment Objectives

The Named Fiduciary's overall investment objective is to offer participants a set of investment fund options that provide diversification of both asset classes and risk levels, in order that participants may invest on a long-term basis for retirement.

Asset Class Guidelines

In keeping with its policy of offering investments from a wide variety of asset classes, the Named Fiduciary has selected [insert asset classes, such as international, US stocks, bonds, cash, etc.] asset classes, which it believes will best meet the Plan's diverse investment needs.

Investment Option Selection

An investment option shall meet the following standards for selection:

1. The fund shall demonstrate adherence to the investment option's stated investment style.
2. Each investment option's performance track record will be reviewed to determine if its performance is consistent with its investment objective and strategy. The investment option's performance will be reviewed over various time periods (1,3,5,7 year(s), if available) and compared to its benchmark's and peer group's performance, if available, or such other standard as determined by the Named Fiduciary.
3. Each investment option shall have been in existence for at least [three years], unless otherwise determined by the Named Fiduciary.
4. No investment option shall have a front-end or back-end load sales charge in excess of 1%.
5. Each investment option shall have total expenses of no more than 1.25% of the average for its category, unless an exception is made by the Named Fiduciary.

In addition to the above selection standards, the Named Fiduciary shall also consider the following factors in selecting investment options:

1. The fund's volatility (standard deviation) relative to its benchmark and peer group.
2. The consistency over time of the fund's investment performance.

3. The closeness of the fund's correlation to its asset class as identified in the Investment Policy as measured by its correlation to its benchmark.
4. The tenure of the fund's management.

Performance Monitoring

Named Fiduciary Review and Monitoring

The Named Fiduciary, with the assistance of appropriate consultants, will review the results of all investments [(other than Company Stock)] on a [quarterly/semi-annual/annual] basis. In such a review, it will measure the performance of each fund against the appropriate performance benchmark and peer group. If the fund's performance is acceptable, no further action is required. However, a more thorough review of a fund will be conducted if any of the following occurs:

1. A fund performs below the top 50% of its peer group over a three- and five-year period.
2. A fund's three- and five-year volatility characteristic rises above the average for the appropriate peer group.
3. There is a material change in the fund's investment style.
4. There is a change in the investment manager.

Watch List

Funds that consistently fall short of the performance criteria outlined in this Investment Policy will be placed on a "watch list" for further analysis and monitoring.

Company Stock

If Company Stock is offered as an investment option pursuant to the terms of the Plan, the Named Fiduciary will be responsible for managing the investment in Company Stock in accordance with the Plan document.

Policy Evaluation

The Named Fiduciary will review this Investment Policy at least annually to determine the continued feasibility of achieving its investment objectives. It is not expected that the Investment Policy will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the Investment Policy.

The Named Fiduciary acknowledges that fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the Named Fiduciary intends to evaluate fund performance from a long-term perspective.

Name of Named Fiduciary Member

Date

Name of Named Fiduciary Member

Date

This Investment Policy Statement is not intended as, and does not constitute, legal advice. Fiduciaries are urged to seek the advice of their attorney as to their precise duties, responsibilities and liabilities in specific situations. Neither UBS Financial Services Inc. nor its employees provide tax or legal advice.

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