



TheStandard®

## **Dexter Community Schools 457 Plan**

### ***Investment Policy Statement***

July 2014

# Investment Policy Statement

**Plan Name:** Dexter Community Schools 457 Plan

**Plan Sponsor:** Dexter Community Schools

**Type of Plan:** 457

This Investment Policy Statement (IPS) is intended for use with Dexter Community Schools' retention of StanCorp Investment Advisers, Inc., (SIA) pursuant to the Investment Advisory Agreement entered into by and between the Dexter Community Schools (the Company) and SIA in connection with the Dexter Community Schools 457 Plan (the Plan). This IPS shall remain in effect until terminated or amended by either the Company or The Standard.

## Purpose of the Investment Policy Statement

The purpose of this IPS is to:

- set forth the Company's and/or the Plan Trustees' objectives for structuring a retirement savings program suitable to the long-term needs and risk tolerances of plan participants
- formulate policies for selecting appropriate investments to be offered to plan participants and beneficiaries covered by the plan
- establish prudent procedures for monitoring and evaluating the performance of investments within the plan

## Purpose of the Plan

The Plan was established to provide a retirement savings program for the employees of the Company. The Plan is intended to operate in accordance with all applicable state and federal laws and regulations.

While participants are ultimately responsible for their own investment decisions, the Company, in conjunction with The Standard, will provide a range of investment options reasonably intended to provide participants the opportunity to develop and invest in accordance with their own retirement objectives, risk tolerances and time horizons.

## Plan Objectives

The Company and/or Plan Trustees, with recommendations from The Standard, will select and monitor the investment options in accordance with the following objectives:

- promote and optimize retirement wealth accumulation by participants
- provide participants with a wide range of asset classes and investment options intended to help meet their investment objectives
- obtain plan investment options at reasonable costs

Adopted by:

Plan Sponsor: Dexter Community Schools

By: Spencer Dasilke, CFO  
Plan Sponsor

By: \_\_\_\_\_  
Plan Sponsor

By: \_\_\_\_\_  
Plan Sponsor

3/21/2014  
Date Signed

# Appendix A

## Investment Selection Criteria

### Selection of Investment Options

Certain investment options will be selected to provide opportunities for diversification and various risk/return alternatives as deemed necessary and advisable by the Company and/or Plan Trustees to reasonably accommodate the anticipated investment preferences of participants. It is the Company's intent to use the investment selection system as set forth below to aid in selecting investment options for participants.

Investment options will be selected to fill some or all of the following categories depending on the anticipated participant investment preferences:

- Equity Investment Options: various market capitalizations and investment styles
- Bond Investment Options: various maturities and credit qualities
- Alternative Investment Options: non-traditional
- Cash Equivalent Options: money market and/or stable value
- Asset Allocation Investment Options: balanced, target date and lifestyle

### Investment Selection Process for Equity, Alternative, Bond and Asset Allocation Options

The Company and/or Plan Trustees will consider the following criteria in selecting investment options for the plan. The following criteria shall apply only at the time of selection, unless otherwise specified below.

#### *Fund History*

Each investment option should have a minimum of three years of history. An investment option that has less than three years of history may be considered if the manager has demonstrated success in another investment option in the same category.

#### *Relative Performance*

Each investment option is preferred to have performed in the top one-half of its respective category on a one-, three- and five-year basis.

#### *Investment Style*

Each investment option is required to demonstrate style consistency with respect to its category for the previous three years. It is preferred that an investment option has been consistent with its category for the previous five years.

### *Portfolio Structure*

Each investment option is required to demonstrate an asset allocation strategy that is consistent with its category based on the most recent disclosure of holdings. This metric is intended to compare the portfolio allocation to the asset classes including domestic and foreign stocks, alternatives, bonds, cash and derivatives.

Each investment option is required to demonstrate diversification with regard to the various sectors that is consistent with its category based on the most recent disclosure of holdings. This metric is intended to compare the portfolio allocation to the various industries that are appropriate given the category of the investment option.

### *Manager Tenure*

Each investment option is required to have the same portfolio manager or a member of the same management team in place for at least the previous three years. An investment option that has a manager with less than three years of tenure may be considered if the manager has demonstrated success in another investment option in the same category.

### *Minimum Assets*

Each investment option is required to have a minimum of \$35 million in total assets. All share classes of an investment option will be combined to evaluate this criterion.

### *Expenses*

An investment option is required to have an overall expense ratio that is no greater than 25 percent above the average expense ratio for its respective category.

### *Operational Considerations*

Each investment option is required to:

- be available on a same-day settlement basis with the necessary institutional trading format required for retirement plans
- be available with no front- or back-end sales charges. This provision is not intended to exclude investment options that waive these charges for retirement plans or those that impose fees for frequent trading
- fully disclose all associated costs through independent sources that are available to the public (with the exception of those categorized as Money Market or Stable Value)
- fully disclose information regarding portfolio structure, performance and manager tenure through independent sources that are available to the public (with the exception of those categorized as Money Market or Stable Value)

## **Exceptions**

### *Index Funds*

Investment options considered to be Index funds are excluded from the previous selection criteria; however, they are required to exhibit returns that are within a reasonable range defined by the benchmark less the expense ratio.

### *Money Market Funds*

Investment options considered Money Market funds are excluded from the previous selection criteria.

### *Proprietary Offering(s)*

Investment options offered from the Company or any affiliates are excluded from the selection criteria. SIA does not serve as a fiduciary on these options.

### *Socially Responsible Funds*

Socially Responsible funds may be offered within the plan. These funds are generally chosen to align with an organization's values and ethics such as religion, avoidance from alcohol or tobacco, workplace standards or environmental issues. Socially Responsible funds are variable enough in style, function, components and objectives that comparisons between the fund and appropriate peer or index can be unclear. The Investment Selection Process should be the basis for selecting the Socially Responsible funds in accordance with the plan sponsor's values and ethics.

### *Target Date Funds*

Target Date funds provide a diversified portfolio for investors who have a specific date in mind for retirement. Fund managers decrease risk by sequentially shifting assets from stocks to bonds and cash as the fund ages toward the target date. The "slope" of this "glidepath" will define the relative risk that the fund manager deems to be acceptable as the fund ages. The rate of decline in the "slope" may depend on how far beyond the retirement date the fund manager intends to continue shifting assets.

Target Date funds are variable enough in glidepath and objective that comparisons between the fund and appropriate peer or index can be difficult. A target date fund series will be selected if they provide an adequate level of diversification, have three- and five-year return rankings that are above category median and a share class with an overall expense ratio that is no greater than 25 percent above the average expense ratio for its respective category. Percentile rankings for the fund series' farthest dated fund (the "riskiest" fund), for which there are three- and five-year rankings will be considered as a proxy for the full fund series.

## *Stable Value or Guaranteed Interest Funds*

### *Fund History*

The investment option should have a minimum of three years of history. An investment option that has less than three years of history may be considered if the manager has demonstrated success in another investment option in the same category.

### *Relative Performance*

It is preferred the Stable Value investment option have performed in the top one-half of the monitored universe of funds as defined by a third-party investment rating agency such as Hueler (Hueler Index), Morningstar or Lipper on a one- and three- or five-year basis.

It is preferred the Guaranteed Interest fund investment option have a one- and three- or five-year average new money crediting rate that is greater than the three-year constant maturity treasury rate over three and five years.

### *Minimum Credit Rating*

The guarantee provider will have a financial strength rating of A or better. The financial strength rating in a product with multiple guarantee providers will be determined by the weighted average of financial strength ratings weighted by the exposure covered by the provider.

### *Operational Considerations*

- The investment option is required to be available on a same-day settlement basis with the necessary institutional trading format required for retirement plans.
- Each investment option is required to be fully benefit responsive. Stable Value and Guaranteed Interest funds generally have termination provisions applying at the plan level. These restrictions will be noted but will not be a determining factor in the selection process.

## **Appendix B**

### **Investment Monitoring Criteria**

The investment options selected for use within the plan will be reviewed on a regular basis to permit the Company and/or the Plan Trustees to evaluate any material change from the selection criteria. The monitoring process will be facilitated by a Quarterly Monitoring Report and consulting services provided by SIA pursuant to the Investment Advisory Agreement. This section describes ongoing monitoring criteria and resulting action steps for investments that fail to meet the criteria.

#### **Quantitative Assessment**

Once an investment option is selected, the following quantitative monitoring criteria will be reported in the Investment Monitoring Report.

##### *Relative Performance*

Each investment option is required to perform in the top one-half of its respective category on either a three- or five-year basis. We may place a fund under review if it falls below these thresholds or displays a significant risk of doing so.

##### *Manager Tenure*

Each investment option is required to have the same portfolio manager or a member of the same management team in place for at least the previous three years. An investment option that has a manager with less than three years of tenure may be retained if the manager has demonstrated success in another investment option in the same category.

##### *Minimum Assets*

Each investment option is required to have a minimum of \$35 million in total assets. Assets within all share classes of an investment option will be counted.

##### *Expenses*

Each investment option is required to have an overall expense ratio that is no greater than 25 percent above the average expense ratio for its respective category.



## **Other Criteria**

The following information will be monitored by StanCorp Investment Advisers, Inc., but will not appear in the Quarterly Monitoring Report (QMR). The QMR is designed to capture specific quantitative criteria including *Relative Performance*, *Manager Tenure*, *Minimum Assets* and *Expenses*. These additional criteria may cause actual recommendations to differ than what is presented in the QMR.

### *Investment Style*

Once selected, an investment option is required to demonstrate style consistency with respect to its category. From time to time, the official characteristics of the categories are revised. As a result, an investment option may be moved to a different category, even though its management style and investment process remain the same. When this occurs, special consideration will be given to the facts and circumstances to determine if a deviation from policy has occurred.

### *Portfolio Structure*

Once selected, an investment option is required to demonstrate:

- an asset allocation strategy that is consistent with its category based on the most recent disclosure of holdings. This metric is intended to compare the portfolio allocation to the allocation typical of that category
- diversification with regard to the various sectors that is consistent with respect to its category based on the most recent disclosure of holdings. This metric is intended to compare the portfolio allocation to the various industries that are appropriate given the category of the investment option

### *Fiduciary Stewardship*

Public and regulatory announcements will be monitored (including Index, Lifestyle, Lifecycle, Target Date and Socially Responsible funds) to determine if the responsible party for a selected investment option is meeting its regulatory and legal obligations.

## **Exceptions**

### *Index Funds*

Investment options that are considered to be Index funds are excluded from the monitoring criteria.

### *Money Market Funds*

Investment options that are considered to be Money Market funds are excluded from the monitoring criteria.

### *Socially Responsible Funds*

Socially Responsible funds are variable enough in style, function, components and objectives that comparisons between the fund and appropriate peer or index can be unclear. SIA may recommend removing a Socially Responsible fund that fails to meet the monitoring criteria or presents other concerns.

### *Target Date Funds*

Target Date funds are variable enough in glidepath and objectives that comparisons between the fund and appropriate peer or index can be unclear. Although one or more of the Target Date funds may fail the monitoring criteria, the entire Target Date fund series needs to be reviewed and evaluated as a whole. When a fund series has multiple funds performing worse than the category average, a more thorough review will be conducted. This may result in termination of the entire series if the underperformance does not appear short-term in nature.

### *Stable Value or Guaranteed Interest Funds*

The Stable Value or Guaranteed Interest investment options selected for use will be reviewed quarterly during the quarterly investment committee meetings conducted by StanCorp Investment Advisers, Inc.

### *Relative Performance*

Once selected, the Stable Value investment option is preferred to maintain performance in the top one-half of the monitored universe of funds as defined by a third-party investment rating agency such as Hueler (Hueler Index), Morningstar or Lipper on a one- and three- or five- year basis.

Once selected, the Guaranteed Interest investment option is preferred to maintain a one- and three- or five-year average new money crediting rate greater than the average three-year constant maturity Treasury rate over one- and three- or five-years.

### *Manager Tenure*

Once selected, an investment option is required to have the same portfolio manager or a member of the same management team in place for at least the previous three years. An investment option that has a manager with less than three years of tenure may be retained if the manager has demonstrated success in another investment option in the same category.

### *Other Criteria*

The following information will be monitored by StanCorp Investment Advisers, Inc., but will not appear in the Quarterly Monitoring Report (QMR). The QMR is designed to capture specific quantitative criteria including *Relative Performance*, *Manager Tenure*, *Minimum Assets* and *Expenses*. In addition to the QMR, other quantitative and qualitative fund details will be monitored by StanCorp Investment Advisers, Inc. These additional criteria may cause actual recommendations to differ from what is presented in the QMR.

### *Additional Performance Considerations*

Occasionally investment options will meet the performance monitoring criteria but perform below average for extended periods. If an investment option performs below average for three consecutive calendar years, the fund may be considered for removal even if it meets the performance monitoring criteria.

### *Portfolio Structure*

Changes in the structure of the portfolio that are expected to result in a material change in future crediting rates, such as significant cash holdings, or risk, such as allocations to high-yield assets well above average, may cause the fund to be considered for removal even if it currently meets performance criteria.

### *Other Qualitative Considerations*

Additional compelling aspects of a fund could result in a change to our confidence and outlook for performance, thereby driving a decision to remove a fund.

## **Action Steps**

### *Core Investment Options*

SIA may recommend for removal any investment option that fails to meet the monitoring criteria or presents other concerns. The Company and/or Plan Trustees must consider the recommendation to replace any investment option with another investment option from the same category that meets the selection criteria. If an investment option is replaced, the assets will be transferred to the new investment option.

The Company and/or Plan Trustees may request that any investment option be replaced for any reason. SIA will comply with any such request. SIA and/or the plan sponsor may also place investment options on a "watch list" for future monitoring until a definitive determination can be made with respect to such investment options.

### *Socially Responsible Funds*

The Company and/or Plan Trustees must consider the recommendation to replace the Socially Responsible fund with another Socially Responsible fund if replacement options exist. In some cases, replacement options within the same investment style or social responsible category may not be available. If a suitable replacement option is not available, the plan sponsor should document the action taken. All efforts will be made to adhere to the Investment Monitoring Criteria.