



## **SAMPLE: Investment Policy Statement (“IPS”) – ERISA Plans**

Prepared on: July 11, 2016

### **Executive Summary**

This is the investment policy statement (“IPS”) for the Wisconsin Select plan.

The Wisconsin Select Plan (the “Plan”) is governed by the laws of Wisconsin and is subject to the Employee Retirement Income Security Act of 1974 (ERISA).

The Plan was established for the benefit of its participants.

Appleton Group LLC serves as the 3(38) Investment Fiduciary Advisor to the Plan.

The Plan is intended to voluntarily comply with ERISA Section 404(c) as incorporated hereunder.

### **Purpose**

The purpose of this Investment Policy Statement (“IPS” or the “Statement”) is to assist the Investment Fiduciary Advisor (the “Fiduciary Advisor”) in effectively discharging certain fiduciary responsibilities by supervising, monitoring and evaluating the management of the Plan. The Fiduciary Advisor has the authority to oversee the investment of the Plan's assets. The Fiduciary Advisor will discharge its responsibilities under the Plan solely in the interests of Plan participants and their beneficiaries.

The Plan's investment program is described in the various sections of this IPS by:

1. Stating in a written document the Fiduciary Advisor's attitudes, expectations, objectives and guidelines for the investment of all of the Plan's assets;
2. Setting forth an investment structure for managing all Plan assets. This process includes offering various asset classes and investment management styles that, in total, are expected to offer participants the opportunity to diversify their investments in a manner appropriate to their retirement objectives and risk/return requirements;
3. Defining the duties and responsibilities to be performed by the various parties involved in the management and operation of the Plan; and

4. Facilitating compliance with all ERISA, fiduciary, prudence and due diligence requirements experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact the Plan assets.

### **Statement of Objectives**

The Plan is a defined contribution Plan.

This IPS has been arrived at with respect to possible investment policies, and describes the prudent investment process the Fiduciary Advisor deems appropriate. This process includes making available asset classes and investment management styles that, in total, are expected to offer participants the opportunity to diversify their investments in a manner appropriate to their retirement objectives and risk/return requirements.

The investment goals of the Plan are:

1. To provide a wide range of investment opportunities in various asset classes, so as to allow for diversification and cover a wide risk/return spectrum.
2. To enable participants to maximize returns within reasonable and prudent levels of risk.
3. To enable participants to obtain investment returns comparable to returns for similar investment options.
4. To ensure the availability of funds to pay all benefit and expense obligations when due.
5. To control and account for the costs of managing the investments.

The Fiduciary Advisor intends to facilitate the ability of each participant to control the assets in that participant's account and to fulfill its fiduciary duties by:

1. Retaining prudent experts such as (i) a bank; (ii) an insurance company; or (iii) a registered investment adviser to make the investment decisions. These experts may provide investment advice directly, through a separate account, or through a pooled investment vehicle, such as a collective fund or a registered investment company (including both mutual funds and exchange-traded funds);
2. Selecting each prudent expert by a demonstrable due diligence process;
3. Delegating discretion over each asset class or investment option to the appropriate prudent expert;
4. Requiring each prudent expert to acknowledge its co-fiduciary status (mutual funds may satisfy this requirement by prospectus delivery); and
5. Monitoring the activities of the prudent expert to ensure that the expert is performing the agreed upon tasks.

### **ERISA Section 404(c) Compliance**

The Plan is intended to comply with ERISA Section 404(c) and the regulations thereunder, in order that participants and beneficiaries alone bear the risk of the investment results from their investment decisions and Plan fiduciaries have no liability for losses resulting from participants' and beneficiaries' investment decisions.

To accomplish this compliance, the Fiduciary Advisor will ensure that the following actions are taken:

1. Plan participants will be notified that the Plan Sponsor intends to constitute a 404(c) plan;
2. Plan participants will be provided at least three investment options that have a different risk/return profile;
3. Plan participants will be provided with sufficient information and/or education so each participant can make an informed decision about his or her selection of investment option(s); and
4. Plan participants will be permitted to change their investment strategy/allocation with a frequency that is appropriate in light of market volatility.

If the Fiduciary Advisor becomes aware that any of the foregoing actions are not being taken or are not provided for by the Plan, it will notify the Plan Sponsor and insist that such actions be taken or provided for by the Plan.

### **Default Investment Option**

The Fiduciary Advisor will provide a Qualified Default Investment Alternative, for Plan participants who do not make their own investment choices. This investment alternative may consist of one of the following:

1. An age-based fund or account;
2. A risk-based, balanced fund; or
3. An investment management service.

This investment alternative is intended to qualify as a Qualified Default Investment Alternative (QDIA) for purposes of ERISA Section 404(c)(5) and the regulations thereunder.

### **3(21) Non-Discretionary Education Adviser**

A section 3(21) Non-discretionary education adviser has been designated to provide participants with personal investment advice regarding the allocation of their assets among the Plan's investment options.

## **Duties and Responsibilities**

### **A. Plan Sponsor.**

The primary responsibilities of the Plan Sponsor are:

1. The establishment and adoption of the Plan and any related documents.
2. The delegation of Plan oversight responsibilities to the Fiduciary Advisor.
3. The delegation of any other responsibilities for the operation of the Plan, including the appointment of a custodian, recordkeeper, administrator, or any other party necessary or desirable to carry out responsibilities described in the Plan.
4. The performance of any responsibilities described in the Plan that are not otherwise delegated to a third party.

### **B. Plan Sponsor Committee**

As fiduciaries under the Plan, the primary responsibilities of the Plan Sponsor Committee are to:

1. Adopt this investment policy statement.
2. Select and appoint prudent experts to act as Education Advisor.
6. Monitor and supervise Fiduciary Advisor and Education Advisor under the plan.
7. Avoid prohibited transactions and conflicts of interest.
8. Perform any other duties described in the Plan.

### **C. 3(38) Investment Advisor (“Fiduciary Advisor”)**

The Investment Advisor for the Plan is Appleton Group, LLC (the “Fiduciary Advisor”). The Fiduciary Advisor is a prudent expert appointed by the Plan Sponsor who serves as an objective, third-party professional retained in managing the overall investment process.

The Fiduciary Advisor is responsible for:

1. Guiding disciplined and rigorous investment process to enable the Plan to meet the fiduciary responsibilities outlined above, in particular on the selection of asset classes, investment options, Investment Managers and plan administrators;
2. Monitoring the investment options with respect to the Watch List criteria on a quarterly basis, bringing any investment option that violates the Watch List criteria to the attention of the Plan Sponsors and Education Advisors, and implement any action that should be taken with respect to the violating investment option;
3. Reviewing least annually whether each investment option continues to be an appropriate representative of the applicable asset class; and

4. Reviewing at least annually all costs (direct and indirect) associated with the investment options of the Plan to determine if they are fair and reasonable.

#### **D. Investment Managers**

An Investment Manager is a prudent expert appointed by the Fiduciary Advisor who fulfills the following responsibilities:

1. Acknowledges that it is an “investment manager” as that term is defined in Section 3(38) of ERISA and that it is a fiduciary with respect to the Plan.
2. Manages the assets allocated to it by the Fiduciary Advisor and the participants in accordance with the guidelines and objectives outlined in its respective Investment Advisory Agreement, Prospectus, Trust Agreement, or other similarly binding document.
3. Exercises full investment discretion with regards to buying, managing, and selling assets held in the Plan and allocated to its management.
4. Unless otherwise provided for in its Investment Advisory Agreement, Trust Agreement, or Prospectus, seeks approval from the Fiduciary Advisor prior to purchasing and/or implementing the following securities and transactions:
  - a. Letter stock and other unregistered securities; commodities or other commodity contracts; and short sales or margin transactions.
  - b. Securities lending; pledging or hypothecating securities.
  - c. Investments in the equity securities of any company with a record of less than three years continuous operation, including the operation of any predecessor.
  - d. Investments for the purpose of exercising control of management.
5. Votes promptly all proxies and related actions in a manner consistent with the long-term interest and objectives of the Plan as described in this IPS. Each investment manager shall keep detailed records of the voting of proxies and related actions and will comply with all applicable regulatory obligations.
6. Communicates to the Fiduciary Advisor all significant changes pertaining to the fund it manages or the firm itself. Changes in ownership, organizational structure, financial condition, and professional staff are examples of changes to the firm in which the Plan is interested.
7. Effects all transactions for the Plan subject "to best price and execution." If a manager utilizes brokerage from the Plan assets to effect "soft dollar" transactions, detailed records will be kept and communicated to the Plan.
8. Uses the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced investment professionals, acting in a like capacity and fully familiar with such matters, would use in like activities for like Plans with like aims in accordance and compliance with all applicable laws, rules, and regulations.

### **E. 3(21) Non-Discretionary Education Adviser (“Education Advisor”)**

The Education Adviser serves as an objective, third-party professional retained to provide specific, individually-oriented investment advice to participants, as well as fiduciary education to Plan Sponsor and Plan Sponsor Committee.

### **F. Recordkeeper**

The recordkeeper is responsible for maintaining the records for each participant account. The specific duties and responsibilities of the recordkeeper are:

1. Process and allocate payroll deduction and rollover contributions to participants' accounts.
2. Process all participant-directed transfers between investment options.
3. Process name, address and other indicative data changes submitted by the Plan Sponsor.
4. Provide electronic confirmation of receipt of all contributions received by the Plan Sponsor.
5. Make available to each participant written or electronic confirmation of investment transfers and changes in contribution allocations made by such participant.
6. Prepare and provide each participant with periodic statements of such participant's account as provided by the Plan.

### **Asset Class / Investment Style Guidelines**

The Fiduciary Advisor believes long-term investment performance is, in large part, a function of asset class and investment style mix. The Fiduciary Advisor should review the long-term performance characteristics of broad asset classes and styles, focusing on the balance of risks and rewards, and determine the asset classes and styles that are appropriate for the Plan.

In making this review and determination of each asset class, the Fiduciary Advisor should take into consideration the following factors:

1. The overall, large-scale demographic population profile of the participants;
2. The appropriate investment time horizon, taking into account the overall participant population;
3. The appropriate risk levels, taking into account the overall participant population;
4. The appropriate modeled return, taking into account the overall participant population;
5. The total number of asset classes and styles to be offered under the Plan;
6. The apportionment of asset classes and styles among the following features:
  - a. Equity, fixed income, balanced, and stable value investments;
  - b. Domestic and international investments;

- c. Age-Based allocation investments; and
- d. Active and passive management styles.

Any other factors that the Fiduciary Advisor and the Investment Advisor believe to be appropriate or desirable in the review and determination of assets classes may also be taken into consideration.

The following asset classes have been selected by the Fiduciary Advisor:

- Stable Value Fund
- Short-Term Bond
- Domestic Large Blend
- Domestic Large Value
- Domestic Mid-Cap Value
- Domestic Small-Cap Growth
- Diversified Emerging Markets
- Foreign Large Blend
- Tactical Allocation
- Option Writing
- Allocation 85%+ Equity
- Intermediate-Term Bond
- High-Yield Bond
- Domestic Large Growth
- Domestic Mid-Cap Growth
- Domestic Small-Cap Blend
- Domestic Small-Cap Value
- Foreign Large Growth
- Natural Resources
- Market Neutral
- Allocation 50-70% Equity
- Multialternative

In addition to the asset classes listed above, the Fiduciary Advisor has selected the following age-base allocation classes. In addition to serving as the QDIA, Age-Based Allocation Models offer participants the opportunity to choose the diversified fund appropriate to their current stage in life.

Since each of these funds are comprised of multiple asset classes and may change their allocation mix to meet their stated goals, there are no corresponding capital markets input data or correlation estimates for them.

- Age-Based Allocation Model 18-29
- Age-Based Allocation Model 30-39
- Age-Based Allocation Model 40-49
- Age-Based Allocation Model 50-59
- Age-Based Allocation Model 60-69
- Age-Based Allocation Model 70+

## **Investment Options**

### **Selection of Investment Options**

Each investment option shall be managed by: (i) a bank; (ii) an insurance company; or (iii) a registered investment adviser; this management may be performed directly, through a separate account, or through a pooled investment vehicle, such as a collective fund or a registered investment company (including both mutual funds and exchange-traded funds). The Fiduciary Advisor will apply the following due diligence criteria in selecting each investment option:

1. Each potential investment option shall be assessed using the fi360 Fiduciary Score® Methodology. To qualify for final consideration as a stand-alone investment option, each must have a Fiduciary Score® of less than 25 and have passed the Due Diligence criteria during the preceding quarter. For purposes of this assessment, any missing data will cause the investment option to fail consideration.
2. Each potential stand-alone investment option shall also be assessed using the fi360 Due Diligence methodology. To qualify for final consideration, an investment option must pass all of the Due Diligence criteria during the preceding quarter. For purposes of this assessment, any missing data will cause the investment option to fail consideration.
3. Additional investment options may be included in specialized models as determined by Fiduciary Advisor. As such, investment options will not be offered in a stand-alone format; rather, they will be included in a diversified model of multiple investment options with similar characteristics (i.e. innovative strategies, strategic opportunities, recent underperforming investment options, etc.)

### **Monitoring Investment Options**

#### **For Stand-Alone Investment Lineup Options:**

##### **Benchmarks**

The Fiduciary Advisor has determined it is in the best interest of the Plan's participants that performance benchmarks are established for each investment option. Manager performance will be evaluated in terms of an appropriate market index (e.g., the S&P 500 stock index for large-cap domestic equity manager) and the relevant peer group (e.g., the large-cap growth mutual fund universe for a large-cap growth mutual fund). The performance benchmarks as selected by the Fiduciary Advisor from time to time will be set forth on Appendix A to this IPS.

##### **Performance Objectives**

The Fiduciary Advisor acknowledges 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 Fiduciary Advisor intends to evaluate investment performance from a long-term perspective.

The Fiduciary Advisor is aware the ongoing review and analysis of the investment options is just as important as the due diligence and selection process. The performance of the investment options will be monitored on an ongoing basis, and it is at the Fiduciary Advisor's discretion to take corrective action by replacing an Investment Manager if they deem it appropriate at any time.

Periodically, but not less than annually, the Fiduciary Advisor will review with the Investment Advisor whether each investment option continues to be an appropriate representative of the applicable asset class. Specifically, but without limitation, the Fiduciary Advisor and the Investment Advisor will consider:

1. The investment option's adherence to the Watch List Criteria identified below;
2. Material changes in the investment option's organization, investment philosophy and/or personnel; and,
3. Any legal, SEC and/or other regulatory agency proceedings actually or potentially affecting the investment option's future performance or suitability.

#### **Watch List Criteria**

The decision to retain, re-categorize, or terminate an investment option cannot be made by a formula. Also, extraordinary events do occur that may interfere with the investment option's ability to prudently manage investment assets. It is the Fiduciary Advisor's confidence in an investment option's ability to perform in the future that ultimately determines the retention of an investment option. To assist the Fiduciary Advisor in determining when an investment option should be considered for termination or re-categorization, the Fiduciary Advisor has adopted certain criteria. An investment option may be placed on a Watch List and a thorough review and analysis of the investment option may be conducted by the Fiduciary Advisor when any of the following occurs:

1. The three-year average of the fi360 Fiduciary Score<sup>®</sup> is less than 50 for any two of the last four quarters.
2. If the investment is a regulated investment company, the net expense ratio shall exceed the median expense ratio for its peer group, as determined by Morningstar<sup>®</sup>, for any two of the last four quarters.
3. The ten-year rolling return shall be less than the median ten-year rolling return for its peer group, as determined by Morningstar<sup>®</sup>, for any two of the last eight quarters.
4. The three-year rolling return shall be less than the median three-year rolling return for its peer group, as determined by Morningstar<sup>®</sup>, for any two of the last four quarters.
5. The five-year rolling return shall be less than the median five-year rolling return for its peer group, as determined by Morningstar<sup>®</sup>, for any two of the last four quarters.

6. The investment option's risk as determined by its standard deviation, shall exceed the median standard deviation of its peer group, as determined by Morningstar®, for any two of the last four quarters.

7. If the investment option is a pooled investment, the tenure of the portfolio manager is less than five years at the time of the determination date.

For purposes of any of the foregoing assessments, any missing data will cause the investment option to be placed on the Watch List.

The Fiduciary Advisor shall be responsible for monitoring the Watch List Criteria for each investment option on a periodic basis, but no less frequently than quarterly. In the event that any investment option fails to satisfy the Watch List Criteria, the Fiduciary Advisor shall bring the investment option for review at the Fiduciary Advisor's next regularly scheduled meeting.

#### **For Age-Based Allocation Model Investments:**

If the Fiduciary Advisor selects "Age-Based Allocation Model" investments as investment options, the Investment Advisor and the Fiduciary Advisor will, no less than annually, review each Age-Based Allocation Model investment's progress from the goal of growth of assets when the time horizon to the Age-Based Allocation Model exceeds 15 years toward the goal of preserving the participants' assets so as to aggregate and protect at least accumulated contributions plus inflation at the Age-Based Allocation Model. If the Fiduciary Advisor is not satisfied with the progress of any Age-Based Allocation Model investment, the Fiduciary Advisor may select alternative investments that are designed to better achieve these goals.

#### **For Other Asset Allocation Models:**

Additional asset allocation models may exist in the Plan from time-to-time to allow for non-standardized investment opportunities. These may include (but not be limited to) asset allocation models comprised of

1. Investment managers whose funds have recently been removed from the stand-alone investment lineup due to recent Due Diligence Monitoring outcomes; or
2. Invest managers whose funds do not fulfill the 3-5 year performance history guidelines of the Due Diligence Monitoring criteria but are, in the opinion of the Fiduciary Advisor, suitable strategies under the overall IPS.

#### **Measuring Costs**

The Fiduciary Advisor will review at least annually all costs (direct and indirect) associated with the investment options of the Plan to determine if they are reasonable. The costs to be reviewed will include (although not necessarily be limited to):

1. Expense ratios of each registered investment company or collective fund.

2. Investment management fees, soft dollar (if any) and other special fee arrangements (if any) when utilizing separate account managers.
3. Brokerage commissions and trading costs of separate accounts.
4. Administrative fees or costs to administer the Plan, including recordkeeping, custody and trust services.
5. The proper identification and accounting of all parties receiving revenue sharing payments such as 12b-1 fees, sub transfer agency fees, shareholder servicing and solicitor's fees, (if any).

Unless otherwise established by the Plan or by the terms of the Fiduciary Advisor's appointment, the Fiduciary Advisor's responsibility with respect to costs shall be (1) to maintain expenses deriving from the investment process, including investment advisory fees, brokerage fees, and investment service fees, at a reasonable level and (2) to advise the Plan Sponsor of other expenses, such as administrative fees and educational expenses, if it appears that such other expenses are unreasonably excessive.

#### **Investment Policy Review**

The Fiduciary Advisor will review this IPS at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

Any change to this policy should be communicated in writing and on a timely basis to all interested parties. If any term or condition of this Investment Policy Statement conflicts with any trust and/or Plan document, the trust and/or Plan document shall control, as long as such term or condition is consistent with the law.

**Execution**

**Signatures:**

**Prepared by:** \_\_\_\_\_ **Date:** \_\_\_\_\_

Mark C. Scheffler, AIF®  
CEO / Sr. Portfolio Manager  
Appleton Group, LLC

**Plan Sponsor Committee Signatures:**

**Name:** \_\_\_\_\_ **Title:** \_\_\_\_\_

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Name:** \_\_\_\_\_ **Title:** \_\_\_\_\_

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Name:** \_\_\_\_\_ **Title:** \_\_\_\_\_

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Name:** \_\_\_\_\_ **Title:** \_\_\_\_\_

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

## Appendix A: Asset Class Benchmarks

### Asset Class Name Underlying Index Peer Group

Money Market Taxable USTREAS T-Bill Auction Ave 3 Mon

Intermediate-Term Bond BarCap US Govt/Credit 5-10 Yr TR USD Barclays US Agg Bond

Inflation-Protected Bond BarCap US Treasury US TIPS TR USD Barclays US Agg Bond TR

Large Blend Russell 1000 TR USD S&P 500 TR

Large Growth Russell 1000 Growth TR USD S&P 500 TR

Large Value Russell 1000 Value TR USD S&P 500 TR

Mid-Cap Growth Russell Mid Cap Growth TR USD S&P 500 TR

Diversified Emerging Mrkts MSCI EM NR USD MSCI EAFE NR USD

Foreign Large Blend MSCI AC World Ex USA NR USD MSCI EAFE NR USD

Small Cap Blend Russell 2000 TR USD S&P 500 TR

Global Real Estate MSCI World/Real Estate NR USD MSCI World/Real Estate NR USD

Bank Loan BarCap Govt/Credit 1-5 Yr TR USD Barclays US Agg Bond TR

## Appendix B: fi360 Fiduciary Score® Methodology

The fi360 Fiduciary Score is a peer percentile ranking of an investment against a set of quantitative due diligence criteria selected to reflect prudent fiduciary management. For each investment with at least a three-year history, fi360 calculates the fi360 Fiduciary Score based on the following due diligence criteria:

- regulatory oversight;
- minimum track record;
- stability of the organization;
- assets in the investment;
- composition;
- consistency with asset class;
- style consistency;
- expense ratio/fees relative to peers;
- risk-adjusted performance relative to peers; and
- Historic rolling performance (absolute and relative to peers).

Investments are evaluated at the conclusion of each calendar quarter. If an investment does not meet an individual due diligence criterion, points are awarded. Investments that satisfy all of the due diligence criteria receive a fi360 Fiduciary Score Quarter of 0.

Every other investment is given a Score of 1-100 based on their point total, and representing their percentile ranking within their peer group. The fi360 Fiduciary Score Average is a one-, three-, five- or ten-year rolling average of an investment's Quarter Score. The Average Score is also calculated on a quarterly basis.

The fi360 Fiduciary Score represents a suggested course of action and is not intended, nor should it be used, as the sole source of information for reaching an investment decision. Visit the fi360 Help Center for the complete methodology document.

SAMPLE