



FERRIS STATE UNIVERSITY

BUSINESS POLICY

# Retirement Plans Investment Policy

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Effective Date:	7/1/2016
Policy Number:	2017: 03
Policy Owner:	Vice President for Administration and Finance
Supersedes:	New Policy

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## POLICY STATEMENT

The purpose of this Investment Policy is to outline objectives which will guide the Retirement Committee (“Committee”) in its monitoring of the retirement investment funds in the 403(b) and 457(b) Plans. This policy does not apply to the Michigan Public School Employee Retirement System retirement plan.

The Committee membership shall be comprised of the Assistant Vice President for Finance (chair), Associate Vice President for Human Resources, Investment Officer, and Manager of Benefits and Wellness. The Investment Policy is intended to incorporate sufficient flexibility to accommodate current and future economic and market conditions, as well as any changes in applicable statutory and regulatory requirements.

The primary objective of the Committee is to provide participants with a diverse set of investment funds encompassing a variety of risk/return characteristics among which participants in the Plans can diversify their portfolios. The actual investing of participant retirement assets is completely the responsibility of the participant within the funds available in their retirement plan. The University and the committee referenced in this policy have no role in the actual investments selected for each individual participant.

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## SCOPE

### Committee Responsibilities

The Committee shall discharge its duties solely in the interest of the Plan participants and their beneficiaries with care, skill, prudence and diligence. On an annual basis, the Committee shall perform monitoring and report its findings and recommendations to the Vice President for Administration and Finance or designee.

### Selection of Investment Funds, Target Date Funds, and Fixed Interest/Annuity Funds

#### *Investment Funds*

In recommending investment funds for the Plan(s), the Committee shall take into account some or all of the following criteria as the Committee deems appropriate:

1. The fund's track record over a 1, 3, 5, and 10 year period when available
2. Performance compared to an appropriate benchmark and/or an appropriate peer group(s)
3. Risk measures versus those of the benchmark and/or peer group
4. Risk-adjusted return measures as compared to those of the benchmark and/or an appropriate peer group(s)
5. Organizational structure and stability of fund personnel
6. Manager tenure
7. The fees and expenses assessed by the fund
8. Qualitative characteristics, including, but not limited to, management strategy, management turnover, and recent portfolio activity in view of current market conditions

*Target Date Funds*

Target date funds shall be selected for the plan utilizing the following steps as general guidelines with the understanding that the target date funds are very broad and each target date fund differs.

The selection process may include, but is not limited to, the steps below:

1. A review of expense fees in comparison to averages and as related to overall plan cost; and
2. Performance comparison to a custom style benchmark in addition to review of performance by investment category.

*Fixed Interest/Annuity Funds*

In recommending any fixed interest/annuity funds, the Committee may take into account some or all of the following criteria, as the Committee deems appropriate:

1. The fund's track record over a 1, 3, 5, and 10 year period when available
2. Performance compared to an appropriate benchmark and/or an appropriate peer group(s)
3. Financial strength ratings of the guarantor of an annuity by the major rating agencies
4. Interest rate history and minimum guaranteed contract rate for an annuity
5. Contract liquidity provisions for an annuity
6. The fees and expenses assessed by the fund

**Monitoring of Investment Funds, Target Date Funds, Asset Allocation Models, and Fixed Interest/Annuity Funds**

*Investment Funds*

The Committee shall monitor the investment funds as circumstances warrant but at least annually. As part of its monitoring process, the Committee may consider the following:

<b>Criteria</b>	<b>Measure</b>	<b>Goal(s)</b>
Performance	▪ 1, 3, 5, & 10 year record	▪ reasonable vs. appropriate benchmark
Risk	▪ 3 year standard deviation	▪ reasonable vs. appropriate benchmark
Risk-adjusted performance	▪ 3 year Sharpe ratio	▪ reasonable vs. appropriate benchmark
Expense ratios	▪ Total expenses	▪ Consistent with similar funds
Investment objective/style	▪ Style correlation	▪ Fund should maintain reasonable correlation to appropriate benchmark as evidenced by R-squared

Investment funds that do not meet the Committee's expectations may be placed on "watch." Investment funds that consistently do not meet the Committee's expectations may become candidates for removal or replacement. Before recommending to remove or substitute an investment option, however, and in light of its fiduciary responsibilities, the Committee may consider the following:

1. The investment fund's long-term investment performance on a rolling basis
2. Recent changes, such as investment fund restructurings or management changes designed to correct deficiencies
3. The appropriateness or relevance of an investment fund's stated benchmark
4. The investment fund's adherence to a stated investment style, whether or not that investment style has been in or out of favor
5. Unusual market circumstances or volatility
6. The degree to which the investment fund has reduced or controlled risk, which might constrain the investment fund's ability to outperform other funds

The Committee may recommend the removal of an investment fund if, in the opinion of the Committee, the investment fund is no longer suited for the Plan(s) or the Plan participants, without regard to whether the investment had previously been placed on "watch."

### **Default Investment Funds**

The Committee is authorized to recommend the Plans' default investment fund(s) (*i.e.*, the option(s) into which contributions will be directed on behalf of participants who fail to make affirmative investment elections). In so doing, the Committee will apply the general selection and monitoring principles described in this Investment Policy.

### **Use of Consultant**

The University may from time to time retain an outside consultant to assist with the selection and monitoring of investment funds.

### **Summary Statement**

This Investment Policy shall guide the Committee in its monitoring of investment funds and recommendation of fund changes. Any recommended change in fund offerings will be presented to the Vice President for Administration and Finance for consideration. The Board of Trustees policy delegates approval authority to the University President. Nothing contained in this Investment Policy shall provide to any participant or beneficiary the right to enforce the terms of this Investment Policy.

## **CONTACTS**

If you have any questions on this policy, please contact: Human Resources at 231.591.2150.