



# Evangelical Presbyterian Church

THE BOARD BENEFITS  
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## **EVANGELICAL PRESBYTERIAN CHURCH BOARD OF BENEFITS – RETIREMENT PLAN STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES**

As adopted by the Board of Benefits February 25, 2006

### **INTRODUCTION**

This is a statement of investment policies and objectives for (“Plans”). This statement has been approved by the Administrative Committee (“Committee”) as an outline of general investment policies and supersedes any earlier statements as of the date this statement is executed. This statement is also intended to provide guidance to the investment advisory firm the Committee has selected to advise it in connection with determining and implementing investment decisions for the Plans.

### **INVESTMENT OBJECTIVES AND MANAGEMENT**

The Plans are defined contribution plans that provide for contributions from the employees and offer the employees the opportunity to self-direct their funds within the Plans. Recognizing that a defined contribution plan can provide a significant method for retirement savings and that individual participants will have differing circumstances and investment objectives, the Plans offer a variety of investment options intended to provide sound and flexible means to materially affect both the potential return, and the degree of risk in each participant’s account.

Believing that the employee universe includes those who are uncomfortable with making investment choices and those who are comfortable making investment choices, the Committee will periodically examine the available investment choices.

For those who are uncomfortable with investment choices, the Committee will provide single-fund strategic Asset Allocation funds. The options are chosen to provide a broad selection of investment opportunities for participants within the limitations established by the Committee. They will, subject to these limitations, be diversified among the major asset classes: equities, fixed income and money market instruments. The Committee may change these limitations and guidelines. Currently, these choices are included by the Fidelity Freedom Funds, a set of funds that have a targeted retirement horizon and become more conservatively invested as the targeted investment horizon date is approached.

For those participants somewhat more comfortable with investment choice, the Committee will select a limited number of investment options to communicate to the participants, and monitor on behalf of the participants. This limited list shall be known as the “Asset Class” Investment Options. The Asset Class Investment Options selected will:

- Cover a risk/return spectrum of appropriate investment classes;
- Are distinguishable and have distinct risk/return characteristics;
- Are well diversified and professionally managed;
- Provide, in aggregate, the participant with the opportunity to structure a portfolio with risk and return characteristics at any point within a normally appropriate range of investments;
- Charge fees that are reasonable for the asset class and investment style; and
- Minimize fiduciary responsibility to the Investment Committee.

The current “Asset Class” Investment Options are:

- Money Market/Stable Value Option
- Bond Option
- Balanced Option
- Life Cycle
- Large Cap Value Option(s)
- Large Cap Blend Option(s)
- Large Cap Growth Option(s)
- Mid-Cap Value Option
- Mid-Cap Blend
- Mid Cap Growth
- Smaller-Cap Value Option
- Smaller-Cap Growth Option
- International Option

The Plans seek to enable participants to obtain a total return (dividends, interest and capital gains/losses) that is consistent with the need to preserve capital and enhance the principal value of the Plans’ assets. Performance will be measured each quarter against appropriate indices for each Option. Furthermore, the investment objectives of the Plans are to enable participants to invest the assets in the manner that:

1. Is consistent with the safeguards and diversification that a prudent person would take under the same economic circumstances;
2. Allows for a prudent level of annual volatility to achieve the desired goals of each Option.

Under the terms of each plan, the Committee may, at its discretion, appoint an independent investment advisor (“Advisor”) to manage the Plans’ assets within the overall parameters of fiduciary responsibility, the prudent investor rule and the guidelines and policies set forth in this document.

It is the Plans’ intent to use mutual funds as the primary investment vehicle to provide diversification and professional management for the Options. The Advisor will recommend to the Committee mutual fund(s) for each Option in accordance with its investment objective, monitor performance and make changes as appropriate in the selection of funds.

## **PERFORMANCE MEASUREMENT**

Normally, investment performance for a mutual fund should be judged over a period of five years, i.e., a complete economic cycle. Since short-term results are usually not meaningful, true investment success will be viewed as a long-term proposition. The Committee will monitor the performance for each Option on a quarterly basis. In general, each investment option should outperform median returns for similar investment options as well as the following market indices:

<b>Fund Type</b>	<b>Benchmark</b>
Stable Value Funds	3-Month Treasury Bills
Fixed-Income Funds	Lehman Bros Intermediate Govt/Credit Index Lehman Bros. GNMA Index
Balanced Funds	40% Lehman Bros Aggregate Bond Index : 60% S&P 500 Index
Large-Cap Value Fund	Russell 3000 Value Index
Large Cap Blend Funds	S&P 500 Index
Large-Cap Growth Fund	Russell 3000 Growth Index
Mid-Cap Fund	S&P Midcap 400
Smaller-Cap Fund	Russell 2000
International Funds	MSCI EAFE Index

If fund performance is below 50% of its peer group for more than four consecutive quarters in the three-year Lipper or Morningstar category, or other appropriate indices as suggested by Advisor, the Committee will consider changing the fund.

However, the Advisor may recommend that a mutual fund be dropped and a new one selected if any of the following occurs:

- Management change
- Investment policy change
- Material change in fee structure
- Significant under-performance

The Committee will also monitor the financial soundness of the remaining GIC contracts on a quarterly basis.

The Committee recognizes its responsibility to notify the Advisor of any material changes in the Plans or their investment objectives. The Committee does not suggest, by setting forth its general investment policies and objectives in this Statement, that it or the Advisor can guarantee the attainment of these objectives.

This Statement of Investment Policies and Guidelines will be reviewed periodically by the Committee and will be amended when warranted by changing terms of the Plans or changing market conditions. Any changes the Committee makes to this Statement must be provided in writing to the Advisor as soon as possible. The Committee will make detailed information about the Plans and their investment options available to employees.