

**AMHERST COLLEGE**  
**DEFINED CONTRIBUTION RETIREMENT PLAN**

**INVESTMENT POLICY STATEMENT**

Adopted October 26, 2010

## **Purpose**

The purpose of this Investment Policy Statement (IPS) is to assist the Amherst College Defined Contribution Retirement Plan Investment Committee (Committee) in effectively supervising, monitoring and evaluating the management of the Amherst College Defined Contribution Retirement Plan (Plan). The Committee has the authority to select the investment menu for the Plan's assets. The Committee will discharge its responsibilities under the Plan solely in the interests of Plan participants and their beneficiaries.

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

1. Establishing formal criteria to select, monitor, evaluate and compare the performance results achieved by each investment option.
2. Establishing the number and characteristics of offered investment options.
3. Providing rate-of-return and risk characteristics for each asset class represented by various investment options.
4. Complying with all ERISA, fiduciary, prudence and due diligence requirements.

## **Statement of Objectives**

The purpose of the Plan is to provide eligible employees with a convenient way to save on a regular and long-term basis for retirement.

This IPS has been arrived at upon consideration by the Committee of a wide range of policies and standards, and describes the investment process the Committee deems appropriate. 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, personal factors (age, time horizon, etc) and risk/return tolerance and objectives.

### **The objectives of the Plan are:**

- Accumulate and pay retirement benefits to participants and their beneficiaries.
- Defray costs of administering the Plan and managing the investments consistent with prudent management and prevailing market conditions.
- Follow general "safe harbor" rules:
  - i. Use prudently selected experts, including a registered investment adviser, to assist the Committee in making investment decisions relative to the investment offerings;
  - ii. Demonstrate that the expert was selected by following a due diligence process;
  - iii. Have the experts acknowledge their co-fiduciary status; and
  - iv. Monitor the activities of the expert to ensure that the expert is performing the agreed upon tasks.
- The Committee intends for the Plan to satisfy the requirements of ERISA Section 404(c) and related regulations and thereby obtain the protections afforded by the 404(c) to plan fiduciaries. Those requirements include:
  - i. Notify Plan participants that the Plan sponsor intends to constitute a 404(c) plan;
  - ii. Provide participants at least three investment options that have materially different risk/return profiles;
  - iii. Provide participants with sufficient information so that each participant can make an informed decision about his or her selection of investment option(s); and

- iv. Permit participants to change their investment strategy/allocation with a frequency that is appropriate in light of market volatility.
- Provide participants with a qualified default investment alternative (QDIA) that satisfies the conditions of ERISA section 404(c)(5) and the regulation thereunder. A QDIA may be:
  - i. Age-based life-cycle or targeted retirement date funds or accounts;
  - ii. Risk-based, balanced funds; or
  - iii. An investment management service.

## Asset Class Guidelines

The Committee believes long-term investment performance, in large part, is primarily a function of asset class mix. The Committee will review the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards.

The Plan will offer a broad range of investment options that span the risk/return spectrum and allow participants, by selecting among the options, to construct portfolios in their respective accounts to fit their tolerance for risk, their needs for return (their risk/return profile) and their individual retirement objectives. In addition, the Committee will offer investment options for participant portfolios such as targeted retirement date funds and/or risk-based balance funds. Below is a list of asset classes that may be considered for inclusion in the Plan: consideration of an asset class for inclusion does not assume inclusion in the Plan.

Risk level	Asset Class		
Lowest	Money Market or Stable Value		
Low	Short-term Bond Fund (Government or Corporate)		
Low to Moderate	Intermediate Bond Fund (Government or Corporate)		
Moderate	High Yield or World Bond (corporate and government) Funds		
	Asset Allocation Funds (or Balanced Fund)		
Moderate to High	Large Cap Value U.S. Equities	Large Cap Blend/Core U.S. Equities	Large Cap Growth U.S. Equities
Higher	Mid or Small Cap Value U.S. Equities	Mid or Small Cap Blend/Core U.S. Equities	Mid or Small Cap Growth U.S. Equities
		Foreign Large Cap Blend/Core Equities	
Highest	Diversified Emerging Markets Equities		
	Diversified European or Pacific/Asian Equities		
	Sector Specific Equities Funds		

Within any of the above asset classes, actively managed or passively managed (indexed) funds may be utilized. Appendix A lists the asset classes currently selected.

## **Implementation**

Each investment option should be managed by: (i) a bank; (ii) an insurance company; (iii) a registered investment company (mutual fund); or, (iv) a registered investment adviser. The Committee will apply the following due diligence criteria in selecting each money manager or mutual fund.

## **General Selection and Monitoring Criteria**

The process for selecting and monitoring funds will be documented and reviewed on a systematic basis while being supported by metrics and analytics provided by the Committee's investment and fiduciary advisor. The factors reviewed by the Committee when selecting and evaluating investment options may include the following:

- The size, history, and reputation of the investment firm that manages the investment option;
- The experience of the individual manager for each investment option;
- The investment objectives and structure of the option;
- Its historical risk and return measured against appropriate benchmarks and/or peer groups;
- The cost to participants, including any purchase or exchange fees, as well as its annual operating expenses;
- The ability to assist participants in meeting their individual investment goals when evaluated with the other available investment options;
- Participant utilization

On a periodic basis (at least annually), the Committee will specifically review the range of investment options provided and the performance of each investment option available in the Plan. Should an investment option fail to satisfy its performance criteria, or should some other material change prompt concerns as to the appropriateness of continuing to offer that investment option in the Plan, the Committee may take any or all of the following actions:

- Establish a probationary period during which any area of concern will be assessed and, if necessary, corrected;
- Supplement the investment option(s) with one or more alternative investment option(s) for that category;
- Replace the investment option with one or more alternative investment option(s) for that category;
- Freeze the investment option to new contributions or exchanges but allow participants to maintain current balances if desired;
- Eliminate the investment option.

## **Monitoring - Measuring Costs**

On a periodic basis (at least annually), the Committee will review costs associated with the management of the Plan, which may include the following:

1. Expense ratios of each mutual fund against the appropriate peer group.
2. Administrative fees: costs to administer the Plan, including record keeping, custody and trust services.
3. The proper identification and accounting of parties receiving soft dollars and/or 12b-1 fees generated by the Plan.
4. The proper allocation of the cost and the expenses among the providers to the Plan and the evaluation of the total compensation, direct and indirect, received by each provider, compared to the value of the services being rendered and the pricing for similar services in the marketplace.

## **Investment Policy Review**

On a periodic basis (at least annually), the Committee will review this IPS 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.

## **Participant Investing**

The Committee shall periodically (at least annually) review the investment practices of the Plan's participants. To the extent that review reveals deficiencies in those practices, the Committee will consider appropriate services (such as additional investment education or advice) and appropriate investments (such as portfolios like targeted retirement date funds).

## **Coordination with the Plan Document**

Notwithstanding the foregoing, if any term or condition of this IPS conflicts with any term or condition in the Plan, Plan Agreements or services agreements, the terms and conditions of such documents shall control.

## Appendix A

Asset Class Options  
Amherst College Defined Contribution Retirement Plan  
(last revised February 1, 2011, to be effective 9/2/2011)

Asset Class
Diversified Emerging Market
Foreign Large Blend
Global Real Estate (REITs)
Large Cap Blend
Large Cap Growth
Large Cap Value
Mid Cap Growth
Mid Cap Value
Small Cap Blend
Sector Fund - Natural Resource
Asset Allocation - Target Date Suite
Fixed Income/Annuity Contract
Money Market
Intermediate Term Bond
High Yield Bond
World Bond