

INVESTMENT POLICY STATEMENT

STATE OF HAWAII DEFERRED COMPENSATION PLAN

Initial Release Date: July 12, 2004

Amendment Date(s): August 31, 2010
February 11, 2014



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INTRODUCTION

In 1983, the State of Hawaii ("**State**") established a Deferred Compensation Plan ("**Plan**") for eligible employees pursuant to Hawaii Revised Statutes ("**HRS**") chapter 88E and section 457 of the Internal Revenue Code of 1986, as amended ("**Code**"). The Plan is voluntary and allows participants to defer a portion of their compensation on a tax-deferred basis for retirement in accordance with HRS chapter 88E and the Code, and other applicable rules and regulations. The Plan is available to all employees who are eligible members of the State Employees' Retirement System, and employed by the State (including the Department of Education, University of Hawaii, and Hawaii Health Systems Corporation), the County of Hawaii, the County of Kauai, and the County of Maui.

Under HRS chapter 88E, the Plan's Board of Trustees ("**Board**") has the authority and responsibility to oversee and carry out the provisions of the Plan and may engage services as necessary, to establish, administer, or maintain the Plan under its direction. The Board has contracted with a Third Party Administrator ("**TPA**") to provide administrative and recordkeeping services. In addition, all Plan assets are required to be held in a trust, annuity, and/or custodial account for the exclusive benefit of the Plan's participants and their beneficiaries under HRS section 88E-8 and section 457 of the Code. Thus, Plan assets are not subjected to or exposed to insolvency by the State or counties, and may not be diverted to any other use by the State or counties.

The Board also has the authority and responsibility under HRS chapter 88E to select the investment products ("**investment options**" or "**funds**") offered to participants, and the investment products are limited to annuities, life insurance, savings accounts, mutual funds, or any combination thereof. To assist in the selection, evaluation, and review of the investment options, the Board may engage the services of an investment consultant to develop this Investment Policy ("**Policy**") for the Plan.

**2****PURPOSES OF THE INVESTMENT POLICY**

This “Investment Policy Statement” (“**Policy**”) defines the investment objectives of the Plan and establishes policies and procedures for creating the highest probability that these investment objectives are met in a prudent manner that is consistent with established guidelines under the Code, other governing rules and regulations, and standards adopted by the marketplace.

To fulfill their role as fiduciaries of the Plan, the Board is obligated to make decisions with the level of care, skill, diligence, and prudence that a prudent person familiar with the Plan and its investments would utilize. Fiduciary prudence with respect to the management of the Plan’s investments shall be evaluated based on the *substance and process* which is used by the Board to establish investment objectives including the development of the Plan’s investment structure and the selection, retention and monitoring of investment managers.

Specifically, the purposes of this Policy are outlined below:

Planning

- Defining the Plan objectives and linking those to the Plan investment structure;
- Establishing guidelines for the investment of the Plan assets; and
- Documenting the responsibilities of parties responsible for the oversight and management of Plan assets.

Operations

- Outlining criteria and procedures for the ongoing operation of the Plan investment program; and
- Establishing investment performance standards.

Control

- Monitoring results, including investment performance; and
- Describing ways to address investment options and investment funds that fail to satisfy established standards including the selection of investment options.

In general, this Policy is intended to provide sufficient flexibility to accommodate current and future economic and market conditions and changes in applicable accounting, regulatory, and statutory requirements. The Board shall be free to deviate from this Policy as it deems appropriate, including on a case-by-case basis with respect to any investment manager appointed by the Board.

NOTE: This Policy may be amended at the discretion of the Board. The reader should obtain the most current Policy from the Plan's TPA. In addition, participants should review HRS chapter 88E and Hawaii Administrative Rules ("HAR") chapters 14-41 to 14-44 for more information about the Plan and the investment options.

**3****SELECTION OF INVESTMENT OPTIONS**

The Plan's investment options shall be selected in accordance with appropriate guidelines set forth in section 457 of the Code, HRS chapter 88E, HAR chapters 14-41 to 14-44, the State's Procurement Code in HRS chapter 103D, and other considerations deemed reasonable by the Board. In general, the Board (with the Investment Consultant's assistance) develops a Request for Proposals ("RFP") and the evaluation criteria, issues and advertises the RFP, evaluates the proposals received, selects the best investment option in the various investment option categories, and contracts with the selected investment provider/manager.

In selecting investment options, the objectives of the Board are to:

- Deliver a diversified group of high quality investment options in the most cost effective manner possible;
- Provide participants the greatest amount of portability between investment options possible;
- Operate in a daily valuation and daily trading environment;
- Facilitate account value withdrawals when participants are eligible, without cost or limitation; and
- Encourage prudent diversification consistent with a participant's goals and objectives.



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PLAN INVESTMENT STRUCTURE

To allow participants to establish different investment strategies, the Plan offers investment options that have varying returns and volatility characteristics. The appropriate investment strategy for any participant to accumulate retirement savings or achieve other savings objectives is a function of multiple personal factors (including age, income, time horizon, risk tolerance, return and accumulation objectives, and other assets outside of the Plan). In order to allow participants to establish savings and investment strategies that meet their individual needs, the Plan provides an array of investment options to invest in.

The Plan currently allows participants to invest in the following eighteen (18) investment option categories:

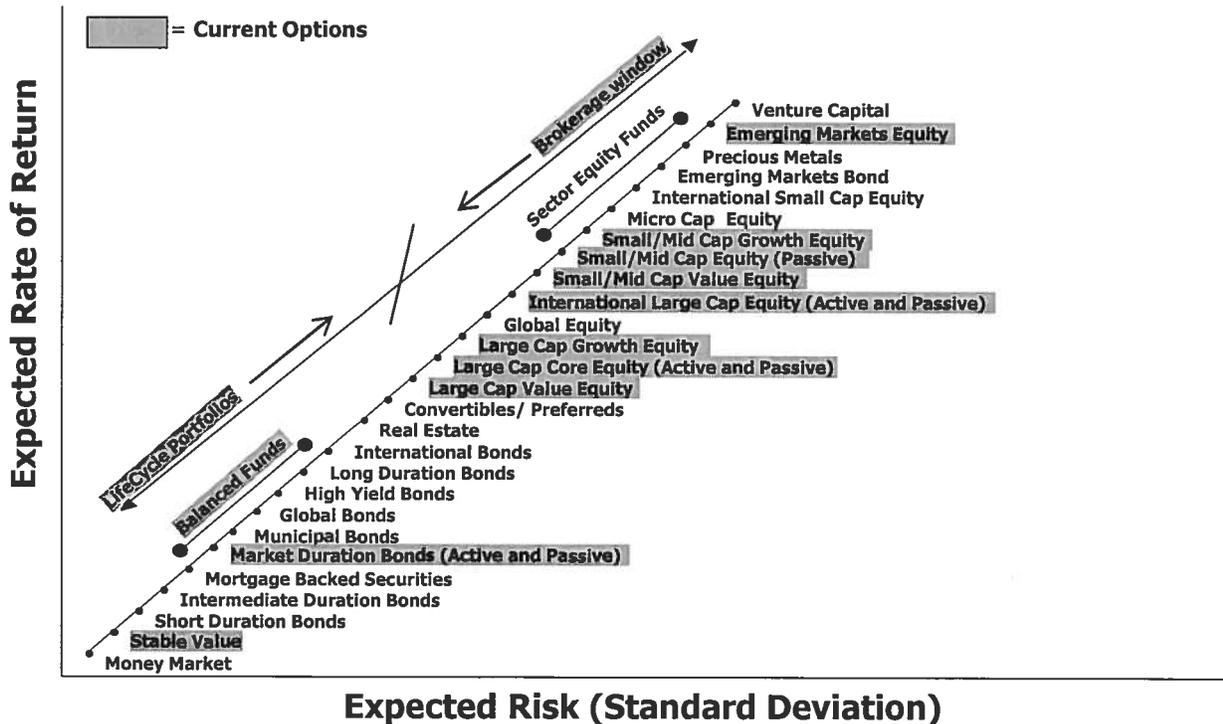
- Stable Value
- Market Duration Bond (Passive)
- Market Duration Bond (Active)
- Balanced
- Diversified Inflation
- Large Capitalization Value Equity
- Large Capitalization Core Equity (Passive)
- Large Capitalization Core Equity (Active)
- Large Capitalization Growth Equity
- International Equity (Passive)
- International Value Equity (Active)
- International Core Equity (Active)
- Mid/Small Capitalization Value Equity
- Mid/Small Capitalization Core Equity Index (Passive)
- Mid/Small Capitalization Growth Equity
- Emerging Markets Equity
- LifeCycle Portfolios
- Brokerage Window



DESCRIPTION OF INVESTMENT OPTIONS

The following chart shows the relationship of expected risk and return levels over a performance cycle (which is generally defined over rolling three- and five-year time frames) for the various investment option categories offered under the Plan:

Theoretical Return and Risk Chart



The following pages outline the specific roles and characteristics of each investment option.

Option	Stable Value Fund
Objectives	<ul style="list-style-type: none"> ▪ No loss of principal ▪ Total return equal to or greater than inflation
Primary Investments	Synthetic stable value fund (actively managed intermediate fixed income portfolio with book value accounting (i.e., insurance wrapped))
Source of Return	<ul style="list-style-type: none"> ▪ Crediting rate formula (as outlined in the investment manager agreement and contract)
Expected Return	Low
Expected Risk	Low
Investment Vehicle	Separate account with an insurance guarantee

Option	Market Duration Bond Fund (Passive)
Objectives	<ul style="list-style-type: none"> ▪ Track the performance of the Barclays Capital Aggregate Bond Index ▪ Principal preservation ▪ Modest total return that outpaces inflation
Primary Investments	Replicates the Barclays Capital Aggregate Bond Index by investing all, or substantially all, of its assets in Government, investment grade corporate, asset-backed and mortgage-backed fixed income securities that make up the index.
Source of Return	<ul style="list-style-type: none"> ▪ Interest income ▪ Capital appreciation/(depreciation)
Expected Return	Low/Moderate
Expected Risk	Low/Moderate
Investment Vehicle	Mutual or commingled fund

Option	Market Duration Bond Fund (Active)
Objectives	<ul style="list-style-type: none"> ▪ Preservation of principal ▪ Modest total return that outpaces inflation
Primary Investments	Government, corporate, and mortgage-backed fixed income securities with an average portfolio duration between three and six years; high-yield and international issues may be used opportunistically.
Source of Return	<ul style="list-style-type: none"> ▪ Interest income ▪ Capital appreciation/(depreciation)
Expected Return	Low/moderate
Expected Risk	Low/moderate
Investment Vehicle	Mutual or commingled fund

Option	Balanced Fund
Objectives	<ul style="list-style-type: none"> ▪ Moderate total return ▪ Offset the higher volatility of stock returns with the stability of income-generating bonds
Primary Investments	<p><i>Asset Allocation:</i> Invests approximately 60% of assets in equity and the remainder in fixed income debt securities.</p> <p><i>Equity Segment:</i> Stocks with mid to large capitalizations.</p> <p><i>Fixed Income Segment:</i> Government, corporate, and mortgage-backed fixed income securities with an average portfolio duration between three and six years; high-yield and international issues may be used opportunistically.</p>
Source of Return	<ul style="list-style-type: none"> ▪ Interest and Dividend Income ▪ Capital appreciation/(depreciation)
Expected Return	Moderate
Expected Risk	Moderate
Investment Vehicle	Mutual or commingled fund

Option	Diversified Inflation Fund
Objectives	<ul style="list-style-type: none"> ▪ Maximize long-term real return
Primary Investments	The strategy seeks real return by allocating its assets across inflation sensitive securities and asset classes such as Treasury Inflation Protected Securities, CPI-U swaps, real estate investment trusts, commodities, natural resources and infrastructure.
Source of Return	<ul style="list-style-type: none"> ▪ Interest and Dividend Income ▪ Capital appreciation/(depreciation)
Expected Return	Moderate
Expected Risk	Moderate
Investment Vehicle	Mutual or commingled fund

Option	LifeCycle Portfolios
Objectives	<ul style="list-style-type: none"> ▪ Provide an array of default investment options (between 3 and 6 options) diversified by varying asset allocation mixes (between stocks, bonds and cash) for participants who wish to accumulate wealth based on their risk tolerances and time horizons through single investment options. The investment options shall be comprised of target maturity funds whereby the asset allocation of each fund shall become more conservative as the target date nears. ▪ Total return of each LifeCycle Portfolios shall correspond to the asset allocation (between stocks, bonds, and cash) at any given point in time. ▪ Offset the higher volatility of stock returns with the stability of income-generating bonds and cash
Primary Investments	<p>The asset allocation mix of each LifeCycle Portfolio shall be determined by the Board, based on direction from the Investment Consultant. It is expected, however, that each LifeCycle Portfolio will be appropriately diversified among various asset classes based on thePortfolio's stated investment objectives. It is also expected that the entire array of LifeCycle Portfolios shall be differentiated by asset allocation so that each Portfolio has its own differentiated risk/return characteristics.</p> <p><i>Equity Segment:</i></p> <p>The equity Portfolio shall be invested in a diversified array of equity mutual/commingled funds that are differentiated by investment objective, security selection methodology, style (value, core and growth), market capitalization (large, medium and small), and home country (US and non-US), as appropriate.</p> <p><i>Diversified Inflation Segment:</i></p> <p>The diversified inflation segment shall be invested in a broad array of securities that seek to provide positive real returns.</p> <p><i>Fixed Income Segment:</i></p> <p>The fixed income Portfolio shall be invested in a diversified array of fixed income mutual/commingled funds. These Portfolios shall be differentiated by investment objective, security selection methodology, maturity focus (long, intermediate and short), sector concentration, and quality, as appropriate.</p> <p><i>Stable Value Segment:</i></p> <p>The stable value segment shall be invested in a high quality stable value fund(s) with average maturities between 2 and 5 years.</p>
Source of Return	<ul style="list-style-type: none"> ▪ Interest and dividend income ▪ Capital appreciation/(depreciation)
Expected Return	Low to high based on asset allocation mix

Expected Risk	Low to high based on asset allocation mix
Investment Vehicle	Unitized fund (i.e., fund of funds or a fund made up of the core investment options)

Option	Large Capitalization Value Equity Fund
Objectives	<ul style="list-style-type: none"> ▪ High total return ▪ Volatility lower than the S&P 500 Index and protection in declining stock markets ▪ Diversification within the large cap equity market segment
Primary Investments	Domestic stocks with large cap market capitalizations in line with the Russell 1000 Value Index. The total portfolio should exhibit characteristics representative of a value equity investment style, with price/earnings and price/book ratios less than the S&P 500 Index.
Source of Return	<ul style="list-style-type: none"> ▪ Dividend income ▪ Capital appreciation/(depreciation)
Expected Return	Moderate/high
Expected Risk	Moderate/high
Investment Vehicle	Mutual or commingled fund

Option	Large Capitalization Core Equity Fund (Passive)
Objectives	<ul style="list-style-type: none"> ▪ Track the return of the S&P 500 Index ▪ High total return
Primary Investments	All the stocks comprising the S&P 500 Index and in the same proportion as the Index.
Source of Return	<ul style="list-style-type: none"> ▪ Dividend income ▪ Capital appreciation/(depreciation)
Expected Return	Moderate/high
Expected Risk	Moderate/high
Investment Vehicle	Mutual or commingled fund

Option	Large Capitalization Core Equity Fund (Active)
Objectives	<ul style="list-style-type: none"> ▪ High total return ▪ Volatility similar to S&P 500 Index and protection in declining stock markets ▪ Diversification within the large cap equity market segment
Primary Investments	Domestic stocks with large cap market capitalizations in line with the S&P 500 Index. The total portfolio should exhibit characteristics representative of a core equity investment style, with price/earnings and price/book ratios in line with that of S&P 500 Index.
Source of Return	<ul style="list-style-type: none"> ▪ Dividend income ▪ Capital appreciation/(depreciation)
Expected Return	Moderate/high
Expected Risk	Moderate/high
Investment Vehicle	Mutual or commingled fund

Option	Large Capitalization Growth Equity Fund
Objectives	<ul style="list-style-type: none"> ▪ High total return ▪ Volatility greater than the S&P 500 Index ▪ Diversification within the large cap equity market segment
Primary Investments	Domestic stocks with large cap market capitalizations in line with the Russell 1000 Growth Index. The total portfolio should exhibit characteristics representative of a growth equity investment style, with price/earnings and price/book ratios greater than S&P 500 Index.
Source of Return	<ul style="list-style-type: none"> ▪ Capital appreciation/(depreciation) ▪ Dividend income (modest or none)
Expected Return	Moderate/high
Expected Risk	Moderate/high
Investment Vehicle	Mutual or commingled fund

Option	International Equity Fund (Passive)
Objectives	<ul style="list-style-type: none"> ▪ Track the performance of the MSCI ACWI Ex-U.S. Index
Primary Investments	The total portfolio should replicate the holdings and characteristics of the MSCI ACWI Ex-U.S. Index.
Source of Return	<ul style="list-style-type: none"> ▪ Capital appreciation/(depreciation) ▪ Dividend Income
Expected Return	High
Expected Risk	Very High
Investment Vehicle	Mutual or commingled fund

Option	International Value Equity Fund (Active)
Objectives	<ul style="list-style-type: none"> ▪ Highest total return ▪ Provide non-U.S. equity exposure to decrease total portfolio volatility
Primary Investments	Foreign stocks of developed countries with market capitalizations that are in line with the MSCI EAFE Value (Net WHT). May also opportunistically invest in foreign stocks with small capitalizations and emerging market stocks.
Source of Return	<ul style="list-style-type: none"> ▪ Capital appreciation/(depreciation) ▪ Dividend income
Expected Return	High
Expected Risk	High
Investment Vehicle	Mutual or commingled fund

Option	International Core Equity Fund (Active)
Objectives	<ul style="list-style-type: none"> ▪ Highest total return ▪ Provide non-U.S. equity exposure to decrease total portfolio volatility
Primary Investments	Foreign stocks of developed and emerging market countries with market capitalizations that are in line with the MSCI ACWI ex US Index. May also opportunistically invest in foreign stocks with small capitalizations.
Source of Return	<ul style="list-style-type: none"> ▪ Capital appreciation/(depreciation) ▪ Dividend income
Expected Return	Very high
Expected Risk	Very high
Investment Vehicle	Mutual or commingled fund

Option	Mid/Small Capitalization Value Equity Fund
Objectives	<ul style="list-style-type: none"> ▪ High total return ▪ Diversification within the mid/small cap equity market segment
Primary Investments	Domestic stocks with market capitalizations that are in line with stocks found in Russell 2500 Value Index. The total portfolio should exhibit characteristics representative of a value equity investment style, including price/earnings and price/book ratios less than the Russell 2500 Index.
Source of Return	<ul style="list-style-type: none"> ▪ Dividend income ▪ Capital appreciation/(depreciation)
Expected Return	Very high
Expected Risk	Very high
Investment Vehicle	Mutual or commingled fund

Option	Mid/Small Capitalization Core Equity Fund (Passive)
Objectives	<ul style="list-style-type: none"> ▪ Track the return of the Dow Jones U.S. Completion Total Stock Market Index ▪ Diversification within the small/mid cap equity market segment
Primary Investments	The Fund employs a sampling technique to build a portfolio that has similar characteristics as the Dow Jones U.S. Completion Total Stock Market Index
Source of Return	<ul style="list-style-type: none"> ▪ Dividend income ▪ Capital appreciation/(depreciation)
Expected Return	Very High
Expected Risk	Very High
Investment Vehicle	Mutual or commingled Fund

Option	Mid/Small Capitalization Growth Equity Fund
Objectives	<ul style="list-style-type: none"> ▪ High total return ▪ Diversification within the mid/small cap equity market segment
Primary Investments	Domestic stocks with market capitalizations that are in line with stocks found in Russell 2500 Growth Index. The total portfolio should exhibit characteristics representative of a growth equity investment style, including price/earnings and price/book ratios greater than the Russell 2500 Index.
Source of Return	<ul style="list-style-type: none"> ▪ Dividend income ▪ Capital appreciation/(depreciation)
Expected Return	Very high
Expected Risk	Very high
Investment Vehicle	Mutual or commingled fund, or separate account

Option	Emerging Markets Equity Fund
Objectives	<ul style="list-style-type: none"> ▪ High total return ▪ Provide diversification within the non-US equity portfolio.
Primary Investments	Foreign stocks of developing countries with market capitalizations that are in line with the MSCI Emerging Market Index.
Source of Return	<ul style="list-style-type: none"> ▪ Dividend Income (Modest or None) ▪ Capital Appreciation/(Depreciation)
Expected Return	Very High
Expected Risk	Very High
Investment Vehicle	Mutual fund

Option	Brokerage Window
Eligible Investments	Stocks, Mutual Funds, and Fixed Income Investments Options (Covered Call Writing, Cash Secured Put Writing and Buying Long Options) can be a part of the offering if the Plan approves.
Ineligible Investments	Collectibles, currencies, real estate other than shares of a REIT, futures, commodities, margin, short sales, foreign securities (ADRs not excluded), non-exchange listed limited partnerships, pink sheet stocks, promissory notes, and municipal bonds

**6****COMMUNICATIONS TO PARTICIPANTS; DISCLOSURE OF FEES AND CHARGES**

Information about each investment option shall be given or made available to participants to assist them in making informed investment decisions. The Plan shall provide at least quarterly statements of each investment option's performance to each participant.

Upon request, copies of investment option prospectuses or similar information shall be provided to participants as well as other information the Plan has available (e.g., a list of underlying investments of a given investment option).

It is the Plan's objective to provide employees with ongoing investment education. The purpose of the investment education program is to provide information and tools to assist in the development of a personal investment strategy for employees and facilitate the achievement of savings and retirement goals.

All fees and charges for each selected investment option shall be fully disclosed to the Board before the investment option can be made available to participants. In addition, these fees and charges shall be disclosed to participants at enrollment and other appropriate times as determined by the Board.

**7****INVESTMENT OPTION PERFORMANCE STANDARDS**

Each investment option's performance shall be evaluated based on quantitative and qualitative standards as outlined below. The Board, at its discretion, may place an investment option on a "Watch List" at any time or terminate an investment option at any time if an investment option fails to meet these performance standards.

By placing an investment option on the Watch List, the Board is expressing a heightened sense of concern regarding the investment manager's ability to match or exceed performance standards in the future. The Watch List shall be used as an intermediary step by the Board to allow an investment manager to correct standards which have been violated before taking steps to eliminate an investment option.

Quantitative Performance Standards

Each investment option's performance results shall be measured: (1) by total time-weighted rates of return net of investment management fees and fund expenses (i.e., the investment management fees that the investment option charges and the investment option's expenses are not included in the total time-weighted rates of return), and (2) against its appropriate market index and peer group.

The appropriate market indices and peer groups for each category of investment option are specified on the following page(s). It is expected that the investment options selected by the Board will meet or exceed these performance standards with commensurate level of risk. In addition, the manager universes will be composed of professionally managed funds comprised of comparable peers. The Board will monitor investment option performance relative to these standards:

Investment Option	Comparative Manager Peer Group Universe Median 3 Years	Relative Market Index 3 and 5 Years
Stable Value Fund (Overall Fund)	Stable Value Fund Universe	Citigroup 3 Month U.S. Treasury Bill
Stable Value Fund (Individual Active Managers) †	N/A	Barclays Capital Intermediate Government/Credit Bond Index
Market Duration Bond Fund (Passive)	Core Fixed Income Mutual Fund Universe	Barclays Capital Aggregate Bond Index (Tracking Error +/- 30 basis points) †
Market Duration Bond Fund (Active)	Core Fixed Income Mutual Fund Universe	Barclays Capital Aggregate Bond Index
Balanced Fund	Balanced Manager Mutual Fund Universe	60% S&P 500 Index/40% Barclays Capital Aggregate Bond Index
Diversified Inflation Fund	Diversified Inflation Mutual Fund Universe	Barclays US TIPS 1-10 Year CPI+200bps
Large Capitalization Value Equity Fund	Large Cap Value Equity Mutual Fund Universe	Russell 1000 Value Index
Large Capitalization Core Equity Fund (Passive)	Large Cap Core Equity Mutual Fund Universe	S&P 500 Index (Tracking Error +/- 20 basis points) †
Large Capitalization Core Equity Fund (Active)	Large Cap Core Equity Mutual Fund Universe	S&P 500 Index
Large Capitalization Growth Equity Fund	Large Cap Growth Equity Mutual Fund Universe	Russell 1000 Growth Index
International Large Cap Equity Fund (Passive)	International (Non-US) Equity Mutual Fund Universe	MSCI ACWI Index Ex-U.S. Index (Tracking Error +/- 50 basis points) †
International Large Cap Equity Fund (Active)	International (Non-US) Large Cap Value Equity Mutual Fund Universe	MSCI EAFE Value (Net) Index
International Large Cap Value Equity Fund (Active)	International (Non-US) Equity Mutual Fund Universe	MSCI ACWI ex US (Net)
Mid/Small Capitalization Value Equity Fund	Mid/Small Cap Value Equity Mutual Fund Universe	Russell 2500 Value Index
Mid/Small Capitalization Core Equity Fund (Passive)	Mid/Small Cap Core Equity Mutual Fund Universe	Dow Jones U.S. Completion TSM Index (Tracking Error +/- 40 basis points) †
Mid/Small Capitalization Growth Equity Fund	Mid/Small Cap Growth Equity Mutual Fund Universe	Russell 2500 Growth Index
Emerging Market Equity Fund	Emerging Markets Equity Mutual Fund Universe	MSCI Emerging Market Index
LifeCycle Portfolios ‡	N/A	Each Option Will Be Evaluated Compared to Customized Indices

		Based on Asset Allocation Mixes
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† Intermediate core fixed income manager(s) of the underlying bond portfolio (individual manager performance) are expected to exceed established benchmarks (net of fees).

†† "Tracking error" is defined as the return of the fund minus the return of the specified Index.

‡ LifeCycle Portfolios shall also be evaluated based on their asset allocation mixes, ability to span the risk/return spectrum, and the underlying funds that comprise each Portfolio. These options are intended for participants who are in need of default options based on personal factors (e.g., age, income, time horizon, risk tolerance, return, and accumulation objectives).

Qualitative Performance Standards

Each investment option shall also be evaluated based on qualitative standards which are outlined below:

Qualitative Factor	Evaluation Measure	Action Step
Violation of stated investment guidelines, contract terms and/or the laws of the State of Hawaii	Review of compliance relative to investment guidelines and contract terms	Correct violation. Review investment guidelines and contract terms. Place or watch list and/or terminate.
Deviation from stated investment style and philosophy	Style attribution analysis (returns and holdings based)	Place on watch list. Monitor fit within designed asset category. Terminate if deviation continues.
Change in ownership that is deemed not to be aligned with the interests of investors/shareholders of the investment option	Require immediate notification by the investment manager to the Board. Assessment of possible impact on future investment performance.	Place on watch list. Terminate if performance deteriorates.
Turnover of key investment personnel related to the management of the investment option	Require immediate notification by the investment manager to the Board. Assessment of possible impact on future investment performance.	Place on watch list. Terminate if performance deteriorates.
Litigation	Require immediate notification by the investment manager to the Board. Assessment of possible impact on future investment performance.	Place on watch list. Terminate if performance deteriorates and/or events lead to loss of investment personnel or significant assets.
Failure to disclose relevant information that could negatively impact the organization and/or the investment option or that would represent a conflict of interest	Require disclosure of information by the investment manager to the Board. Assessment of possible impact on future investment performance.	Review non-disclosed information. If material place on watch list and/or terminate if deemed material.

NOTE: Replacing an investment option shall only occur after careful consideration by the Board. The Board understands that an investment option's performance should be measured over a reasonable market cycle period (e.g., three years). Plan participants will receive written investment option performance information quarterly with their statements and may individually and voluntarily stop contributions, redirect their contributions, and/or transfer between investment options at any time without penalty.

**8****RESPONSIBILITIES OF PLAN PARTICIPANTS**

The Plan is a voluntary, participant-directed deferred compensation plan. Participants have the opportunity and responsibility for making individual investment decisions under the Plan, and ultimately bear the risks and rewards of investment returns that result from the investment options they select.

The specific responsibilities of the Plan participants are as follows:

- Determining the amount to contribute to the Plan within the limitations set by the Plan and the Code;
- Allocating account balances and future deferrals to the available investment options, based on individual circumstances, goals and objectives, and risk tolerance;
- Developing and monitoring a strategy for the investment of their accounts;
- Rebalancing account balances to the participant's desired allocation due to market conditions and account activity;
- Reallocating account balances and direction of future contributions as personal circumstances, and goals and objectives, change; and
- Keeping the TPA informed about participants' current material information (e.g., addresses, beneficiary information, methods of distribution, beginning dates of distribution, etc.).

**9****PARTIES RESPONSIBLE FOR ADMINISTRATION AND REVIEW OF THE PLAN'S INVESTMENT OPTIONS**

In addition to the responsibilities previously described in this Policy, the following are general descriptions of the responsibilities of the parties that administer and review the investment options:

Board

- Act in the sole interest of participants and their beneficiaries, for the exclusive purpose of providing benefits to participants and their beneficiaries and of defraying the reasonable expenses of administering the Plan;
- Select and contract with the TPA and/or Investment Consultant;
- Establish and maintain the Policy;
- Select the investment options; and
- Periodically evaluate the investment options' performance, the costs to the Plan and its participants, and recommend investment option changes.

Investment Consultant

- Assist the Board in drafting RFPs for investment options, evaluating proposals received, contracting with the selected investment providers/managers;
- Monitor and review the performance of each investment option;
- Provide periodic reports to the Board on various aspects of the Plan's investment options and the performance of the Plan's investment providers/managers;
- Meet with the Board on a periodic basis to review each investment option's performance;
- Make recommendations regarding investment option objectives, guidelines, and the Policy;

- Assist the Board in ensuring that the Plan complies with this Policy; and
- Report to the Board on current investment trends and issues.

Investment Providers/Managers

- Responsible for making investment decisions consistent with the approach stated in their relevant prospectuses or other applicable governing documents, investment manager agreements, and contracts with the Board;
- Provide reports on investment option performance on a regular basis to the Board;
- On at least an annual basis, each investment provider/manager is expected to meet with the Board and/or its representative(s) to provide:
 - A verbal and written review of their investment option's performance and portfolio structure;
 - A summary of their key investment decisions, their underlying rationale, and expected future implications;
 - An organizational update; and
 - Description of the market, economy, etc.; and
- Immediately notify the Board (or its designees) and the Investment Consultant in writing of changes in fund operation and personnel that may negatively impact performance (this includes any organizational or strategy changes that impact asset management).

Third Party Administrator (TPA)

- Provide information and communication materials about the Plan and investment options to participants;
- Maintain individual participant account records;
- Assist participants in enrolling, making contributions, and receiving distributions;
- Market the Plan and investment options;
- Provide periodic reports on the Plan, participants, and investment options to the Board; and
- Assist the Board in the day-to-day administration of the Plan.

10

REVIEW OF THE INVESTMENT POLICY

It is the intention of the Board to review this Policy periodically and make necessary or appropriate amendments.

The Board encourages investment providers/managers and Plan participants to make recommendations to the Board regarding appropriate changes to this Policy.