

St. Mary's University

Policy: Investment Policy Statement, 403(b), St. Mary's University Defined Contribution Retirement Plan

Approver(s): Executive Council

Authorizes release: Vice President, Administration and Finance

Responsible office: Human Resources Office

Update cycle: Annually or as required

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Related policies:

Additional references:

Statement of Investment Policy, Objectives, and Guidelines

This Investment Policy Statement (IPS) is intended to establish the investment policies and objectives for the Plan (as defined herein) and provides guidelines to assist the fiduciaries of the Plan. While the IPS describes specific acts and criteria, they are for purposes of guidance only. The Committee (as defined below) will have the authority to deviate from the IPS, in whole or in part, as it deems necessary in its sole discretion and judgment, to reflect changing economic, business, and investment market conditions and the needs of the Plan and its participants (and beneficiaries), at any given time.

General Information

St. Mary's University of San Antonio, Texas sponsors the St. Mary's University Defined Contribution Retirement 403(b) Plan, as may be amended from time to time (the "Plan"), for the benefit of its eligible employees and their beneficiaries. The Plan is intended to provide participants and their beneficiaries with a convenient way to save on a regular and a long-term basis for retirement.

The Plan is participant-directed and intended to comply with all applicable federal laws and regulations including the Internal Revenue Code of 1986, as amended (the "Code"), and the Employee Retirement Income Security Act of 1974, as amended (ERISA). Its purpose is to provide a vehicle to accumulate and grow assets to fund retirement needs on an individual basis for participants. The Plan Sponsor has appointed the St. Mary's University Retirement Plan Committee (the "Committee") and delegated authority to the Committee to choose and monitor the Plan's investment options. Plan participants and beneficiaries provide direction regarding the investment of their accounts under the Plan and are ultimately responsible for their investment decisions. Therefore, it is the intent of the Committee to provide a broad spectrum of investment options under the Plan that will enable participants to construct diversified portfolios designed to meet their own risk tolerances; savings time horizons, and

other financial goals. A written record of the Committee’s decisions and steps taken in connection with the monitoring of the Plan funding options shall be maintained. The 403(b) Plan is intended to comply with ERISA section 404(c).

Purpose of IPS

The purpose of this IPS is to assist the Committee, in effectively structuring an appropriate investment menu. This includes establishing a prudent process for selecting, monitoring and evaluating the Plan’s investments. Specifically, the IPS is intended to:

- Define the Plan’s investment objectives and guidelines.
- Define the roles and responsibilities of those responsible for the Plan’s investment options.
- Describe the criteria and procedures the Plan will use in selecting investment options.
- Establish criteria for monitoring investment options.
- Establish criteria for removing investment options.

Investment Objectives and Guidelines

The Plan’s investment options are intended to align with the following objectives:

- Offer a broad range of investment options.
- Include at least 3 core investment options with materially different return and risk characteristics, allowing participants to create a diversified portfolio.
- Provide the participant the opportunity to materially affect risk and return characteristics to diversify their portfolio.
- Monitor the investment options to ensure that they meet the above criteria.

Investment of Plan assets is intended to be in accordance and consistent with all applicable requirements of the Code and ERISA, or any other applicable laws, such as securities law with respect to actions of any investment managers providing service to the Plan.

Roles and Responsibilities

As of the effective date of this IPS, the Committee has been appointed as the investment fiduciary for the Plan. As of such time, the Committee members are:

Vice President Finance & Administration (committee chair)	Chair, Human Resource Advisory Council
Director, Human Resources (designated Plans administrator)	Faculty Advisor, Student Managed Investment Fund
President, Faculty Senate	University Controller

The Committee is primarily responsible for:

- Providing sufficient asset classes with different and distinct risk/return profiles so each participant can prudently diversify his/her account.
- Selecting the Investment Consultant /Adviser
- Establishing and maintaining the IPS
- Evaluating the performance of the funding options and recommending investment changes
- Avoiding prohibited transactions and conflicts of interest

St. Mary's University, as Plan Sponsor, has the authority to change the tasks that have been delegated to the Committee or delegate the responsibilities outlined above to other employees or agents of the Plan Sponsor, including without limitation third party service providers. The Committee may hire a Financial Advisor to provide investment advice as a fiduciary under section 3(21) of ERISA and to assist the Committee in carrying out certain of their duties. The Committee understands that even when fiduciary duties are delegated the members remain responsible for appropriately selecting and monitoring appointees.

Investment Consultant/Adviser Responsibilities:

The Committee may retain an independent third-party Consultant to assist the Committee in managing the overall investment process. The Consultant will be responsible for guiding the Committee through a disciplined and rigorous investment process to enable the Committee to meet the fiduciary responsibilities outlined above. The Consultant will exercise its responsibilities in the best interest of the Plan's participants and beneficiaries.

The specific duties of the Consultant will be outlined in the applicable consulting services agreement.

Investment Selection Criteria

The investment options which have been selected for the Plan are well-diversified; professionally managed; charge fees that are reasonable for the asset class and/or investment approach taken; and provide, in the aggregate, the participant with the opportunity to structure a portfolio with risk and return characteristics suitable to long-term investment programs. The current investment options of the Plan are named in the periodic Investment Review which is prepared by the Financial Advisor. While offering a variety of investment options is important, efforts will be made to keep the total number to a prudent level that balances the benefits of broad diversification with the disadvantages of too many choices.

As noted above, the intent is for the Plan to comply with ERISA Section 404(c) and this IPS is designed to take reasonable steps for satisfying the conditions of ERISA section 404(c).

The Committee may establish a default investment option to allocate contributions when a participant fails to make an investment selection for elective contributions or employer contributions, including when a participant is automatically enrolled in the Plans.

- The Committee intends for the default investment option to adhere to the QDIA (qualified default investment alternative) guidelines established by the Department of Labor.

The Committee has selected the following investment vehicle as the current default option for the Plan:

- Balanced fund – a fund that invests in both bonds and stocks.
- Lifestyle/risk-based funds – a fund with a mix of investments that takes into account the individual's risk tolerance.
- Lifestyle/risk-based model portfolios – allocates contributions among existing plan investment options based on various risk tolerances.
- Target date funds – a fund with a mix of investments that takes into account the individual's age or retirement date.
- Target date model portfolios – allocate contribution among existing plan investment options based on various retirement dates.
- Managed accounts - An investment service, provided by a third party selected by the Plan Fiduciaries, that allocates contributions among existing plan options to provide an asset mix that takes into account the individual's age or retirement date.

Asset Class Selection

The Committee intends to offer a range of investment options that will span various asset classes in order to allow Plans participants to diversify their investments based on their unique individual needs, circumstances, goals, time horizons and risk tolerance.

The Committee has elected to offer pre-mixed asset allocation portfolios both Target date and Static Allocations along with index-based offerings covering Domestic Fixed Income, US Core Large & Small Cap, and Foreign Equity.

Investment Selection

In selecting the investment options for the Plan, the Committee may consider a variety of quantitative and qualitative factors. These factors may include but are not limited to the investment option's investment objectives, performance relative to its index and peer group, risk characteristics, investment style, fees, manager tenure.

Target date investments

In addition to the criteria listed above the Committee may also consider the following Department of Labor guidelines when selecting a target date investments:

- Alignment of Glidepath objectives with participant demographics including whether they correspond with eligible employees' ages and likely retirement dates. They should also take into account other characteristics of the participant population, such as participation in a traditional defined benefit pension Plans offered by the employer, salary levels, turnover rates, contribution rates and withdrawal patterns.
- Underlying asset class allocation prior to the target date.

- Underlying asset class allocation after the target date.
- Use of a record keeper's proprietary vs. non-proprietary options.
- Use of custom models.

Stable value options

In selecting a stable value option, the Committee may consider the following criteria:

- Product structure
- Fees
- Investment philosophy
- Book value of assets
- Market-to-book ratio
- Crediting rate/stated rate
- Asset allocation
- Redemption mechanisms/restrictions/market value adjustments
- Competing fund restrictions
- Investment contract issuers
- Size of fund

Share class selection

In determining which share class of a specific fund is most appropriate for the Plans the fiduciaries will select share classes that have:

- No revenue to offset Plan's expenses.*
- Revenue to offset some or all of the Plan's expenses.

*There may be situations where funds with revenue sharing will result in lower overall Plans expenses. In those situations, a fund with revenue sharing may be offered.

Investment Monitoring Criteria

The Committee recognizes that ongoing measurement and analysis of investment performance are important in the process of upholding its fiduciary responsibility and effectively managing the Plan's assets. The review process provides the information needed to exercise informed judgment and reach sound decision regarding investment options. While frequent change in investment options is neither expected nor desirable, monitoring the investment performance of the Plan investments relative to specified guidelines is an on-going activity, conducted at least annually. The Financial Advisor will conduct a periodic review of the Plan investment options and prepare an Investment Review, which may include a minimum of the following:

- The Plan's overall asset allocation by investment and style.
- Investment performance of each investment option on an absolute and relative basis.
- The style conformity, diversification and risk measurement of each fund.
- Organizational or personnel changes affecting a fund to determine their potential effect on the fund's investment process and results.
- The overall menu of investment options. This does not imply the anticipation of frequent

changes to the menu of investment options.

The Committee may review whether it is prudent to offer a self-directed brokerage account as an investment option and, if such an option is offered, will periodically monitor the option as it deems necessary.

The Committee shall periodically review the results of all other Plans investment options based on the Morgan Stanley fund evaluation process, as it may be updated from time to time. The Committee has elected to:

- Select additional monitoring criteria as outlined in Exhibit A.
- Not select additional monitoring criteria.

The Committee will also periodically review the following with respect to the Plan's stable value option, as it deems appropriate:

- Book value of assets
- Market-to-book ratio
- Crediting rate/stated rate
- Asset allocation
- Investment contract issuer(s)/guarantor(s)

The foregoing investment monitoring criteria shall not, under any circumstances, be taken as definitive, conclusive, or controlling for removal, termination, or continuation of an investment option. All determinations should be made by the Plan's fiduciaries, taking into consideration all relevant facts and circumstances.

Asset Allocation Models

The Committee may elect to utilize asset allocation models that are based on a participant's risk profile or age. The models will be maintained on the recordkeeping system and will be populated with the existing investment options offered by the Plans. The purpose of the models is to assist participants in allocating their assets based on their risk tolerance or age. The model portfolios will be a component of the investment review. Information that will be reviewed includes the asset classes that make up each model along with the percentage weighting to each asset class, the fund assigned to each asset class and its weighting and the performance of each model portfolio versus an appropriate blended benchmark.

Investment Option Removal

The Committee may remove an investment option if it determines that such removal is in the best interests of the Plan and its participants and beneficiaries, taking into account the relevant factors including the fund's current and potential future performance as well as market conditions.

In removing an investment option from the Plan, the Committee will determine whether to replace the fund with a similar investment option or to map participant balances to an existing

investment option. The intention is for any investment mapping to be carried out in a manner that will permit the Plan to retain its status as a “404(c)” plan.

Coordination with Plan Documents

Notwithstanding the foregoing, if any term or condition of this IPS conflicts with any term or condition in the Plans, the terms and conditions of the Plans shall control.

Investment Policy Review

The IPS shall be reviewed periodically by the Committee and, if appropriate, can be amended from time to time, such as to reflect changes in the capital markets, Plan participant objectives, Plan demographics, legislative and regulatory changes, or other factors relevant to the Plan.

Adoption

This statement of investment policy is adopted on _____, ____ 20__ by the Committee.

Signature on behalf of Retirement Plan Committee:

EXHIBIT A

Fund Evaluation Criteria

Each fund will be evaluated and monitored quarterly by the Plan’s Financial Advisor based on the following criteria. If a fund does not pass 62.5 % of the selected criteria it will be further evaluated by the Financial Advisor and recommended for placement on a watch list, to be periodically monitored by the Committee in its discretion.

Investment Monitoring Statistics	Criteria Options: Percentile Rank , Peer Group Median, Value, Category Assigned Benchmark	Default Operand When Using Ranks	Enter Value
Annualized Performance in Category			
Total Return - 3 Month	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
Total Return - 6 Month	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
Total Return - YTD	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
Total Return - 1 Year	<i>%tile Ranking, Peer Group Median or Value</i>	<=	75%
Total Return - 3 Year	<i>%tile Ranking, Peer Group Median or Value</i>	<=	50%
Total Return - 5 Year	<i>%tile Ranking, Peer Group Median or Value</i>	<=	50%
Total Return - 10 Year	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
Annualized Performance vs. Benchmark			
Total Return - 1 Year	<i>Benchmark</i>	>=	
Total Return - 3 Year	<i>Benchmark</i>	>=	
Total Return - 5 Year	<i>Benchmark</i>	>=	
Total Return - 10 Year	<i>Benchmark</i>	>=	
Up Market Capture Ratio			
3 Year Up Capture Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
5 Year Up Capture Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
10 Year Up Capture Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
Down Market Capture Ratio			
3 Year Down Capture Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
5 Year Down Capture Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	<=	50%
10 Year Down Capture Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
Batting Average			
3 Year Batting Average	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
5 Year Batting Average	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
10 Year Batting Average	<i>%tile Ranking, Peer Group Median or Value</i>	<=	

Investment Monitoring Statistics	Criteria Options: Percentile Rank , Peer Group Median, Value, Category Assigned Benchmark	Default Operand When Using Ranks	Enter Value
Beta			
3 Year Beta	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
5 Year Beta	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
Treynor Ratio			
3 Year Treynor Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
5 Year Treynor Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
Standard Deviation			
3 Year Standard Deviation	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
5 Year Standard Deviation	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
10 Year Standard Deviation	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
Standard Deviation vs. Benchmark			
3 Year	<i>Benchmark</i>	<=	
5 Year	<i>Benchmark</i>	<=	0
10 Year	<i>Benchmark</i>	<=	
Alpha			
3 Year Alpha	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
5 Year Alpha	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
10 Year Alpha	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
Information Ratio			
3 Year Information Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
5 Year Information Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
10 Year Information Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
Sharpe Ratio			
3 Year Sharpe Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	>=	
5 Year Sharpe Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	>=	50%
10 Year Sharpe Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	>=	
Sharpe Ratio vs. Benchmark			
3 Year	<i>Benchmark</i>	<=	
5 Year	<i>Benchmark</i>	<=	
10 Year	<i>Benchmark</i>	<=	
Sortino Ratio			
3 Year Sortino Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
5 Year Sortino Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	<=	

Investment Monitoring Statistics	Criteria Options: Percentile Rank , Peer Group Median, Value, Category Assigned Benchmark	Default Operand When Using Ranks	Enter Value
R-Squared			
3 Year R-Squared	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
5 Year R-Squared	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
10 Year R-Squared	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
Tracking Error			
3 Year Tracking Error	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
5 Year Tracking Error	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
Morningstar Category Change			
Previous 12 months	<i>Enter Y for Pass / N for Fail</i>	=	N
Morningstar Rating			
Overall	<i>Enter a Value (1-5)</i>	>=	
3 Year	<i>Enter a Value (1-5)</i>	>=	
5 Year	<i>Enter a Value (1-5)</i>	>=	
10 Year	<i>Enter a Value (1-5)</i>	>=	
Morningstar Risk			
Overall	<i>Enter a Value (1-5)</i>	>=	
5 Year	<i>Enter a Value (1-5)</i>	>=	
Expenses			
Gross Expense Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
Net Expense Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
Management Fee	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
Portfolio			
Turnover Ratio	<i>%tile Ranking, Peer Group Median or Value</i>	<=	
Management			
Total Assets	<i>Enter a Value (\$Mil)</i>	>=	
Years Since Inception	<i>Enter a Value</i>	>=	
Manager Tenure (Years)	<i>Enter a Value</i>	>=	3
Closed to New Investors	<i>Enter Y / N</i>	=	
Closed to All Investors	<i>Enter Y / N</i>	=	