

***STATEMENT OF INVESTMENT POLICY
GUIDELINES – ADP RETIREMENT PROGRAM***

ADP RETIREMENT SERVICES

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Updated: January 2007

Statement of Investment Policy

I: Background

This product-level statement of investment policy (hereafter called the “ADP Investment Policy Statement”) is intended to guide the ADP Retirement Services (“ADP”) Policy and Review Committee (hereafter referred to as the “Committee”) in the selection of investment funds for placement on ADP’s recordkeeping platform and continued monitoring of such funds. The purpose of this ADP Investment Policy Statement is to develop screened investment alternatives that are generally well suited for long-term investing and which represent an attractive and high-quality product for the defined contribution plan marketplace. The selection and monitoring criteria and processes in this ADP Investment Policy Statement are based on generally accepted investment theories and prevailing investment industry standards. The process and criteria used by ADP in selecting investment options is not designed for the needs of any particular plan, but instead are designed to identify quality long-term investment options. However, to the extent that defined contribution retirement plans and their investment fiduciaries (hereafter collectively referred to herein as “plans”) deem these processes and criteria to be valuable and suitable for the needs of their plans and their participants, they may consider and incorporate these processes and the application of the criteria into their decision-making and due diligence. Before adopting this IPS, plans should consider whether this IPS and the processes and the criteria described therein are appropriate for the particular needs of their plan and their participants and should individualize this IPS to those needs.

Further, this ADP IPS is not intended to cover investment options or vehicles (such as company stock or individual brokerage accounts) beyond the investments included on investment platform.

- ❖ ADP prepares and distributes a quarterly Investment “Scorecard” Evaluation Report based on the criteria described in this ADP Investment Policy Statement. The information in that report, as described in Section VIII below, provides valuable assistance to plans in determining whether their investments continue to be well suited for long-term investing. However, as with the processes and the criteria described in this ADP Investment Policy Statement, plans need to determine whether the criteria utilized in the Scorecard are suitable on an individualized basis for their plans and their participants. For example, if a plan has adopted criteria identical to those used in this ADP Investment Policy Statement and has adopted this IPS in substantially the form offered, then the information provided in the Scorecard would closely correspond with the needs of the plan. However, if a plan has adopted an individualized or modified investment policy statement, or if the plan does not have an investment policy statement, the Scorecard would not reflect all of the criteria selected by the plan, but would nonetheless offer valuable information about criteria generally applied in the investment community for evaluating long-term investments. This Scorecard can be found on the ADP Retirement Services Plan Sponsor Web site and is typically available approximately 30 days after the end of each calendar quarter.

This ADP Investment Policy Statement is not to be construed as a recommendation by ADP, nor is it intended to provide investment advice; ADP does not provide individualized advice on the selection or monitoring of investments for any specific plan. Rather, it is to provide guidance to ADP in the selection and monitoring of investment vehicles to be

included on the investment platform. Moreover, ADP is not, and cannot serve as, a fiduciary with respect to any particular plan, nor select or remove the investment alternatives to be made available under a plan. The screened funds help identify investment options that are anticipated to be appropriate for long-term investing. However, the funds on the List may or may not be appropriate to the needs of any particular plan or its participants. ADP suggests that plans work with their financial and legal advisors to prepare an individualized Investment Policy Statement and to select investment funds that are suitable to the particular needs of their plan and participants.

II: Introduction

This ADP Investment Policy Statement identifies the rationale that ADP utilizes in the identification and selection of investment categories to make available on our platform. In addition, it sets forth the criteria applied by ADP in the selection, performance monitoring, evaluation, and reporting of individual investment funds included on the List. Finally, the ADP Investment Policy Statement outlines the actions that plans may take should ADP determine to delete one or more investment options from the List.

III: Investment Platform Structure Rationale

In developing its investment platform, ADP seeks investment options, which enable plans to provide categories of investment options that allow them to develop portfolios that balance a multitude of risk-and-return considerations. An investment portfolio may be tailored to meet any number of risk tolerances, investment horizons, philosophies, objectives, and preferences. The investment platform is designed to make available a variety of investment options encompassing different segments of the financial markets that behave differently in various economic scenarios.

Plan Sponsors may maximize diversification opportunities by offering their employees investment options ranging from lower potential risk / lower potential returns to higher potential risk / higher potential returns. Portfolio construction methodologies may include investment options that employ both active and passive management styles, and pure and mixed strategies. In selecting investments and related services (such as investment education and/or advice), plans should take into account the investment abilities of their eligible and participating employees.

Investment options are typically separated into groups of investment categories: those that are vital to an investor's portfolio (core) and those that may be less vital in the portfolio (non-core). Separating the investment categories into core and non-core subsets is intended to help plans in determining the investment fund categories they may use in selecting investments to meet the needs of their plan and its participants and to carry out their fiduciary obligations.

ADP's view is that core investment categories are the essential components in constructing investment portfolios. They satisfy the minimum criteria set forth when designing a proper defined contribution/401(k) plan investment menu. Core asset classes encompass a majority of the investing universe. They are mutually exclusive in that they have distinct risk/return characteristics, and can be combined to meet individual risk tolerances, investment horizons, philosophies, objectives, and preferences. In other words, they are base asset classes used to develop an investment portfolio. The core investment categories are the essential investment components for the average plan portfolio design.

III: Investment Program Structure Rationale

CORE investment categories include:

- Money Market / Stable Value
- US Fixed Income-Investment Grade
- US Large Cap Equity-Core (Blend)
- Foreign Equity Large Cap Equity-Core (Blend)
- US Small Cap Equity-Core (Blend)

Non-core investment categories are typically added to an investment portfolio to provide investors with: (1) succinctly defined sub-sets of core investment categories: (2) an investment option(s) which combine core investment categories into pre-defined target allocations: and (3) specialized investment categories.

NON-CORE investment categories may include:

- High Yield Fixed Income
- Treasury Inflation Protected Security (TIPS) Bonds
- Hybrid (Balanced)
- Life Style (risk-based and/or age-based)
- World Allocation
- US Large Cap Value
- US Large Cap Growth
- US Mid Cap Value
- US Mid Cap Blend
- US Mid Cap Growth
- Foreign Large Value
- Foreign Large Growth
- Foreign Mid/Small Value
- Foreign Mid/Small Growth
- Global Equity
- Diversified Emerging Markets
- US Small Cap Value
- US Small Cap Growth

Specialty investment categories may be added to investment portfolios to provide investors with opportunities within narrowly-focused investment objectives. Morningstar Principia currently tracks nine specialty investment categories listed below.

SPECIALTY investment categories may include:

- Bear Market
- Communications
- Financials
- Healthcare
- Natural Resources
- Precious Metals
- Real Estate
- Technology
- Utilities

Additional investment strategies may include **Socially Responsible Investment (SRI)** Funds.

IV: Selection Criteria for Investment Options

The following outlines criteria to be utilized by ADP in the selection of investment options at the time of selection.

Quantitative Criteria

Quantitative criteria to be used in the evaluation of investment funds are as follows:

- ❖ A minimum level of invested assets of at least \$100 million;
- ❖ A documented investment performance track record for a minimum investment period of five years; Exceptions may be made for new asset classes (i.e. age-based lifestyle funds);
- ❖ Three and five-year total “Time Weighted Rates of Return” equal to or greater than the 50th percentile of an appropriate “peer group” of investment funds; Exceptions may be made for new asset classes (i.e. age based lifestyle funds);
- ❖ An annualized expense ratio which is competitive within the “peer group” of investment funds;
- ❖ Demonstrate a willingness to meet the requisite trading protocols for transacting in a “daily valued” qualified retirement program;
- ❖ An expressed willingness to conduct transactions at the program’s super “omnibus” trading level;
- ❖ An ability to accept additional invested assets from qualified retirement programs;
- ❖ No “front-end” sales charges or an ability to “waive” all such loads for qualified retirement programs;
- ❖ No deferred sales charges (“back-end” loads) of any kind.

Qualitative Criteria

Qualitative criteria may be considered in the selection for the most appropriate candidate fund may include:

- ❖ Experience and stability of the investment manager (team);
- ❖ A fund’s policy regarding revenue sharing and compensation of retirement plan recordkeepers for sub-transfer agency, accounting or other appropriate services. ADP seeks revenue sharing and compensation from investment funds and their affiliates that are competitive (from a recordkeeper’s viewpoint), as compared to similar amounts paid by other funds or their affiliates, and that enable ADP to charge plan sponsors and/or plans reasonable recordkeeping and processing fees;
- ❖ A fund’s policy regarding allocation to cash equivalent securities;
- ❖ A fund’s ability to remain open to accepting new investments from qualified retirement plans for a reasonably foreseeable period of time;
- ❖ An expressed willingness by fund management officials, upon the closing of its fund to new investors, to provide a reasonable period of time to ADP to implement this action;
- ❖ Reputation of the investment fund / investment organization within the investment community;
- ❖ A clearly defined and consistently applied investment philosophy and investment process
- ❖ A clearly articulated “buy / sell” investment strategy;
- ❖ The consistent adherence to clearly defined parameters for diversification within the fund’s investment portfolio.

V: Standards of Investment Performance for Individual Options

Each investment option shall be evaluated quarterly to objectively assess its net investment performance results (unless stated otherwise) against a comparative performance benchmark index and a universe of investment funds which primarily invest in the same investment category (where appropriate) according to independent mutual fund database providers (i.e., Morningstar, Inc.). Evaluation criteria have been established to assess the performance of individual investment options relative to an appropriate market benchmark. A fund is also reviewed against its “peer” group (where appropriate) over - “rolling” three and five year periods. The standards established for each investment category are listed on the following pages.:

VI: Standards of Investment Performance for Investment Options

Investment Category	Comparative Benchmark Index	Minimum Comparative Standard (Three and Five Years)
US Money Market Fund	Salomon 3-month T-Bill Index	Total “net” time weighted rates of return that match or exceed the benchmark index plus a premium of 0.75 percentage points on an annualized basis.
Stable Value Fund	Salomon 3-month T-Bill Index	Total “net” time weighted rates of return that match or exceed the benchmark index plus a premium of 0.75 percentage points on an annualized basis.
US Fixed Income - Investment Grade Bond Fund	Lehman Government/Credit Intermediate Term Bond Index or Lehman Aggregate Index	Total “net” time weighted rates of return that matches or exceeds the median return of a universe of investment funds, determined by Morningstar, Inc. to be investing in the same investment category, on an annualized basis.
Treasury Inflation Protected Security (TIPS) Bond	Lehman Brothers Inflation Notes Index	Total “net” time-weighted rates of return that match or exceed a universe of investment funds determined by Morningstar, Inc. to be investing within the same investment category on an annualized basis.
High Yield Fixed Income Bond Fund	Lehman Brothers High Yield Bond Index	Total “net” time weighted rates of return that match or exceed the median return of a universe of investment funds, determined by Morningstar, Inc. to be investing within the same investment category, on an annualized basis.
Hybrid – Balanced / Life Style Fund(s)	Each individual fund will have a custom composite index reflecting the funds target (neutral) asset allocation as determined by the fund’s investment manager.	Total time-weighted rates of return should be equal to the Benchmark Index minus fund expenses and a tracking error of less than 2.00% to the benchmark on an annualized basis.
Index Fund(s)	Each individual index fund’s benchmark matches the corresponding index as identified by investment fund officials.	Total time-weighted rates of return should be equal to the Benchmark Index minus fund expenses and a tracking error of less than 0.50% to the benchmark on an annualized basis.
US Large Capitalization Equity Fund	Standard & Poor’s 500 Stock Index or Russell 1000 Value / Blend / Growth Index	Total time-weighted “net” rates of return that matches or exceeds the median return of a universe of investment funds, determined by Morningstar, Inc. to be investing within the same investment category, on an annualized basis.
US Mid Capitalization Equity Fund	Standard & Poor’s Mid Cap 400 Stock Index or Russell Mid Cap Value / Blend /Growth Index	Total “net” time-weighted rates of return that matches or exceeds the median return of a universe of investment funds, determined by Morningstar, Inc. to be investing within the same investment category, on an annualized basis.

VI: Standards of Investment Performance for Investment Options

Investment Category	Comparative Benchmark Index	Minimum Comparative Standard (Three to Five Years)
Foreign Equity Fund	Morgan Stanley Capital International Europe, Australia and the Far East (MSCI EAFE) Index	Total “net” time-weighted rates of return that matches or exceeds the median return of a universe of investment funds, determined by Morningstar, Inc. to be investing within the same investment category, on an annualized basis.
Global Equity Fund	Morgan Stanley Capital International (MSCI) World Index	Total “net” time-weighted rates of return that matches or exceeds the median return of a universe of investment funds, determined by Morningstar, Inc. to be investing within the same investment category, on an annualized basis.
Diversified Emerging Markets	Morgan Stanley Capital International Emerging Markets Index (MSCI Emerging Markets Index)	Total “net” time-weighted rates of return that matches or exceeds a universe of investment funds determined by Morningstar, Inc. to be investing within the same investment category on an annualized basis.
US Small Capitalization Equity Fund	Standard & Poor’s Small Cap 600 Index or Russell 2000 Value/Blend/Growth Index	Total “net” time-weighted rates of return that matches or exceeds the median return of a universe of investment funds, determined by Morningstar, Inc. to be investing within the same investment category, on an annualized basis.
Specialty Fund (i.e. Real Estate, Technology)	Each individual fund will be compared to a benchmark index that closely reflects the market capitalization and investment style of the fund.	Total “net” time-weighted rates of return that matches or exceeds the median return of a universe of investment funds, determined by Morningstar, Inc. to be investing within the same investment category, on an annualized basis.

VII: Investment Options - Fund Evaluation

QUANTITATIVE EVALUATION:

The Committee retains the authority to periodically, but not less than annually, formally review, evaluate and, if appropriate, add or de-select investment options to/from the platform. The performance standards outlined in Section V of this Investment Policy Statement shall apply only to investment options specifically included on the investment platform. Each standard shall apply independently to the portfolio of each investment option. Except where specified, all performance standards are to be achieved net of all investment management fees and fund expenses.

Should an individual investment option fail to meet the minimum comparative performance standard and also achieve an investment return “net” of its investment fees (unless specified “gross” of fees) which is less than its performance benchmark for the most recent three and five year periods the Committee **may** place the investment fund on the “Fund Watch List.” Should this investment fund remain on the Fund Watch List for a period of four consecutive calendar quarters, the fund **may** be subject to “De-selection” from the investment platform by the Committee. The minimum standard for retention of an investment fund on the Fund Watch List after four consecutive calendar quarters is performance by the fund above the median return of its peer group universe and/or performance benchmark index for the most recent trailing one year period. Other appropriate factors may be applied by the Committee in addition to the minimum standard in determining whether to retain such an investment fund.

Should the Committee determine that an investment fund no longer meets the minimum quantitative performance criteria as discussed above in this Investment Policy Statement, it may “de-select” (delete) the fund from the program. Please note that any fund that is de-selected in the list may remain, at the discretion of the Plan Sponsor, as an investment alternative available to participants under a plan. Once a decision is made to deselect an investment option, ADP will no longer monitor performance of such fund on its Scorecard report.

QUALITATIVE EVALUATION:

The Committee **may** determine to “de-select” an investment option for reasons other than a failure to meet applicable quantitative investment performance standards. Such reasons may be:

- ❖ A change to the fund’s investment manager(s) or significant changes within the fund’s immediate management team;
- ❖ A change to the fund’s investment management sub advisor;
- ❖ A change in ownership or control of the fund;
- ❖ A substantive change to the fund’s investment philosophy or investment process;
- ❖ A substantive change in the fund’s investment style;
- ❖ A substantive change in the fund’s investment category placement as determined by independent providers of fund evaluation services;
- ❖ A substantive change in the fund’s portfolio turnover ratio as compared to the fund’s historical turnover ratio norm;

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- ❖ A substantive and consistent deviation from the investment characteristics consistent with its investment category;
 - ❖ Violation of Securities and Exchange Commission (SEC) or National Association of Securities Dealers (NASD) rules or regulations as well as an other applicable statutory or regulatory requirements;
 - ❖ Operational difficulties concerning either the fund's pricing or trading protocols;
 - ❖ At any time when the Plan Sponsor/Committee loses confidence in the fund's future ability to achieve desired investment results.

VIII: Investment Performance Reporting

ADP will prepare a quarterly "Scorecard Evaluation Report" that will be published and made available on the ADP Plan Sponsor Web site. This report will include the following information:

- ❖ A review of the investment performance of major components of the equity and fixed income markets for periods ending with the most recent calendar quarter.
- ❖ A review of the investment performance of selected capital markets benchmark indices and Morningstar, Inc. investment categories for periods ending with the most recent calendar quarter.
- ❖ A review of the "net" investment performance results for each investment option for periods ending with the most recent calendar quarter.
- ❖ A disclosure of the standard/custom performance benchmark index for each investment fund.
- ❖ A review of each publicly-traded mutual fund's Morningstar, Inc. investment category percentile ranking for three and five year periods ending with the most recent calendar quarter.
- ❖ An evaluation of each investment fund's compliance with the quantitative guidelines established within the Investment Policy Statement guidelines. The Scorecard Evaluation Report will also indicate, if necessary, the date that an investment fund was placed on the Fund Watch List or has been "de-selected".
- ❖ A "Glossary of Terms" to assist plans in their review and understanding of the investment terms that may be contained in the report.

Note: The Scorecard report is produced only for the funds made available on the Investment Platform.

IX: Responsibilities of the Plan Fiduciaries¹

Plan Fiduciaries should acknowledge their responsibility as a fiduciary of the Plan. In this regard, a Plan Fiduciary must act prudently and for the exclusive benefit of participants and their beneficiaries. Specifically, the fiduciaries' responsibilities include the following:

- ❖ Complying with the provisions of all applicable federal and local regulations and rulings;
- ❖ Selecting investment funds which provide a range of risk/return alternatives and which are consistent with the needs of the participants;
- ❖ Developing investment parameters for each investment fund;
- ❖ Evaluating and appointing fund managers and consultants, as necessary, to manage or render advice regarding plan assets;
- ❖ Reviewing and evaluating the investment performance results of funds within the context of established performance benchmarks;
- ❖ Taking necessary corrective action as deemed prudent and appropriate whenever a fund manager fails to manage within established investment parameters;
- ❖ Taking necessary corrective action as deemed prudent and appropriate whenever a fund manager fails to meet its performance objectives;
- ❖ Communicating clearly the primary duties and responsibilities of those accountable for investing the Plan's assets and achieving investment results.

¹A person is a fiduciary with respect to a plan to the extent (i) they exercise any discretionary authority or discretionary control respecting management of such plan or exercises any authority or control with respect to the management or disposition of its assets, (ii) they render investment advice for a fee or other compensation, direct or indirect, with respect to any monies or other property of such plan, or has any authority or responsibility to do so, or (iii) they have any discretionary authority or discretionary responsibility in the administration of such plan. Such term includes any person designated under section 405(c) (1) (B)[29 USCS {1105(c)(1)(B)}]. If any money or other property of an employee benefit plan is invested in securities issued by an investment company registered, under the Investment Company Act of 1940, such investment shall not be by itself cause such investment company or such investment company's investment advisor or principal underwriter to be deemed to be a fiduciary or a party in interest as those terms are defined in this title. Except insofar as such investment company or its investment adviser or principal acts in connection with an employee benefit plan covering employees of the investment company, the investment adviser, or its principal underwriter. Nothing contained in this subparagraph shall limit the duties imposed on such Investment Company, investment advisor, or principal underwriter by any other law.

Source: Pension and Benefit Law Research Institute of America (1997)

Appendix A: Glossary of Terms

Active Management

A portfolio management strategy that seeks to exceed the returns of a selected market index. Active managers rely on research, market forecasts, and their own judgment and experience in making investment decisions.

Aggressive Growth Fund

Funds that seek rapid growth of capital and that may invest in emerging market growth companies without specifying a market capitalization range. They often invest in small or emerging growth companies and are more likely than other funds to invest in IPO's or in companies with high price/earnings and price/book ratios. They may use such investment techniques as heavy sector concentrations, leveraging, and short-selling.

Asset Allocation Fund

A fund that invests its assets in a wide variety of investments which may include domestic and foreign stocks and bonds, government securities, and real estate. Some asset allocation funds keep the proportions allocated among different investments relatively constant; others alter the mix as market conditions change.

Asset Class

Groupings of investment types that share similar risk and return characteristics. The three primary asset classes are stocks, bonds, and cash investments.

Balanced Fund

Funds that seek both income and capital appreciation by investing in a generally fixed combination of stocks and bonds. These funds generally hold a minimum of 25% of their assets in fixed-income securities at all times.

Bear Market Category

Bear Market funds use short positions and derivatives in order to profit from stocks that drop in price. Because these funds have extensive holdings in shorts or puts, their returns generally move in the opposite direction of the benchmark index.

Bond

A type of debt instrument issued by corporations, governments, and government agencies. The issuer makes regular interest payments and promises to pay back, or redeem, the face value of the bond at a specified time called the maturity date.

Bond Fund

A fund that invests primarily in bonds; generally, corporate, municipal, or U.S. government debt obligations. Bond funds usually emphasize income rather than growth.

1. Long-Term Government Bond: A fund with at least 90% of its bond portfolio invested in government issues with a duration of greater than six years or an average effective maturity of greater than or equal to 10 years.
2. Intermediate-Term Government Bond: A fund with at least 90% of its bond portfolio invested in government issues with a duration of greater than or equal to 3.5 years and less than six years or an average effective maturity of greater than or equal to four years and less than 10 years.

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3. Short-Term Government Bond: A fund with at least 90% of its bond portfolio invested in government issues with a duration of greater than or equal to one year and less than 3.5 years or an average effective maturity of greater than or equal to one year and less than four years.
 4. Long-Term Bond: A fund that focuses on corporate and other investment grade issues with an average duration of greater than six years or an average effective maturity greater than 10 years.
 5. Intermediate-Term Bond: A fund that focuses on corporate and other investment-grade issues with an average duration of greater than or equal to 3.5 years but less than or equal to six years or an average effective maturity of more than four but less than ten years.
 6. Short-Term Bond: A fund that focuses on corporate and other investment-grade issues with an average duration of more than one but less than 3.5 years or an average effective maturity of more than one but less than four years.

Cash-or-Deferred Arrangement (CODA)

Generally known as a 401(k) plan, a qualified profit sharing or stock bonus plan that allows participants to elect to receive cash or to have the employer contribute amounts on their behalf to a plan.

Cash Investments

Short-term loans to a borrower with a very high credit rating, including short-term bank certificates of deposit (CDs), money market instruments, and U.S. Treasury bills. Cash investments are usually considered to have negligible (though not zero) market and credit risk.

Commingled Trust Fund

A vehicle in which assets of qualified plans, generally sponsored by unrelated employers, are pooled for investment purposes. Trust departments of banking institutions typically manage the funds. Also referred to as a common pooled trust or collective fund.

Conservative Allocation

Conservative Allocation funds invest in both stocks and bonds and maintain a relatively smaller position in stocks. These funds typically have 20%-50% of assets in equities and 50%-80% of assets in fixed income and cash.

Consumer Price Index

The Consumer Price Index (CPI-U) is published by the United States Department of Labor, Bureau of Labor Statistics. The index measures the average change in prices over time of a fixed basket of goods and services. The CPI-U calculates this price change for all urban consumers.

All urban consumers are defined as all wage earners, clerical workers, professional, managerial and technical workers, the self-employed, short-term workers, the unemployed, retirees and others not in the labor force. The index does not include persons in the military services, institutions or people outside the urban area. The CPI-U covers approximately 80% of the total non-institutional civilian population.

The Consumer Price Index (CPI-U) is based on prices of food, clothing, shelter, fuels, transportation fares, medical fees drugs, and other day-to-day living expenses. Prices are collected in 88 urban areas across the United States from about 57,000 housing units and 19,000 department stores, supermarkets, hospitals, gas stations and other stores and service establishments.

Calculating price changes for the various items in each location creates the index. These price changes are averaged together with weights, which represent the importance in the spending of the appropriate population group. The local data is then combined to obtain the U.S. City average.

Convertible Bond Category

Funds that invest primarily in bonds and preferred stocks that can be converted into common stocks.

Corporate Bond--General

Funds that seek income by investing in fixed-income securities. Funds with this objective may hold a variety of issues, including but not limited to government bonds, high-quality corporates, mortgages, asset-backed, bank loans and junk bonds.

Corporate Bond--High Quality

Offerings that seek income by investing at least 65% of their assets in corporate debt securities rated A or higher. They generally maintain average ratings of AA or better.

Corporate Bond--High Yield

Funds that seek income by generally investing 65% or more of their assets in bonds rated below BBB. The price of these issues is generally affected more by the condition of the issuing company (similar to a stock) than by the interest-rate fluctuation that usually causes bond prices to move up and down.

Credit Risk

The possibility that a bond issuer will default; that is, fail to repay principal or interest to a bondholder in a timely manner or at all. Also known as default risk.

Defined Contribution Plan

A type of qualified plan in which a participant's benefits are based solely on the participant's account balance; the account balance depends on the level of employer and employee contributions and the investment earnings (or losses) on those contributions.

Diversification

A strategy for investing in different asset classes to reduce the risks inherent in investing in a single class.

Diversified Emerging Markets

Funds that seek capital appreciation by investing primarily in equity securities issued in emerging markets worldwide. These funds generally do not concentrate their investments in any one region.

Employee

Any individual employed by the employer maintaining the plan or any affiliated employer required to be aggregated with the employer under Code Sections 414(b), 414(c), 414(m), and 414(o). A leased employee may also be deemed an employee for purposes of these rules.

Employee-Directed Plan

A plan that permits employees to select investment choices for their account balances.

Employee Retirement Income Security Act of 1974 (ERISA)

An act of Congress encompassing both Internal Revenue Code provisions, which determine when a plan is tax qualified, and Department of Labor provisions, which govern the rights of participants and beneficiaries and the obligations of plan fiduciaries.

Equity-Income

Funds that are expected to pursue current income by investing at least 65% of their assets in dividend-paying equity securities.

Europe Stock

Funds that generally invest at least 65% of assets in equity securities of European issuers.

Fiduciary

Under ERISA, any person who (1) exercises any discretionary authority or control over the management of a plan or the management or disposition of its assets, (2) renders investment advice for a fee or other compensation with respect to the funds or property of a plan or has the authority to do so, or (3) has any discretionary authority or responsibility in the administration of a plan.

Fixed-Income Fund

A fund with the objective of providing current income, primarily from fixed-income securities or bonds.

Foreign Stock

Funds that invest primarily in equity securities of issuers located outside the United States.

Government Bond—Adjustable-Rate Mortgage

Funds that invest at least 65% of their assets in mortgage or mortgage-related securities with adjustable coupons. These securities are usually backed by the U.S. government.

Government Bond--General

Offerings that pursue income by investing in a combination of mortgage-backed securities, Treasuries, and agency securities.

Government Bond--Mortgage

Funds that seek income by generally investing at least 65% of their assets in securities backed by mortgages, such as securities issued by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC).

Government Bond--Treasury

Treasury funds that seek income by generally investing at least 80% of their assets in U.S. Treasury securities.

Growth Fund

Funds that pursue capital appreciation by investing primarily in equity securities. Current income, if considered at all, is a secondary concern.

Growth and Income

Growth of capital and current income are near-equal objectives for these funds. Investments are typically selected for both appreciation potential and dividend-paying ability.

Guaranteed Investment Contract (GIC)

A contract sold by an insurance company that guarantees payment of interest on the amount invested for a term usually from one to five years, although longer terms may be available. Also known as a Guaranteed Return Annuity Contract (GRAC).

Income

Funds in this objective seek income from the dividends and interest generated by a fund's holdings.

Index

An indicator that reflects the value of a representative groups of securities. For example, the Dow Jones Industrial Average or Standard & Poor's Index of 500 Industrial Stocks.

Index Fund

A fund that seeks to parallel the performance of a particular stock or bond market index.

Index Investing

An investment strategy that structures a portfolio so that its holdings replicate a specific stock or bond market index and are thus expected to provide a return that tracks with that specific benchmark. Index funds offer investors a passive approach to investing. Advantages associated with passive management are low investment costs and minimal portfolio turnover.

Inflation Risk

The possibility that increases in the cost of living will reduce or eliminate the real returns on a particular investment.

Interest Rate Risk

The risk that a security will decline in price because of changes in market interest rates.

International Equity Funds

Equity funds with 40% or more of their equity holdings in foreign stocks (on average over three years) are placed in the international equity class. These categories include:

1. World Stock Category: An international fund having more than 20% of stocks invested in the US.
2. Foreign Large Blend Category: These funds seek capital appreciation by investing in a variety of large international stocks. Large-cap foreign stocks have market capitalizations greater than \$5 billion. The blend style is assigned to funds where neither growth nor value characteristics predominate. These funds typically will have less than 20% of assets invested in U.S. stocks.
3. Foreign Large Growth Category: These funds seek capital appreciation by investing in large international stocks that are growth-oriented. Large-cap foreign stocks have market capitalizations greater than \$5 billion. Growth is defined based on high price-to-book and price-to-cash flow ratios, relative to the MSCI EAFE index. These funds typically will have less than 20% of assets invested in U.S. stocks.
4. Foreign Large Value Category: These funds seek capital appreciation by investing in large international stocks that are value-oriented. Large-cap foreign stocks have market capitalizations greater than \$5 billion. Value is defined based on low price-to-book and price-to-cash flow ratios, relative to the MSCI EAFE index. These funds typically will have less than 20% of assets invested in U.S. stocks.
5. Foreign Small/Mid Growth Category: These funds seek capital appreciation by investing in small- and mid-sized international stocks that are growth-oriented. Small- and mid-cap stocks have market capitalizations less than \$5 billion. Growth is defined based on high

price-to-book and price-to-cash flow ratios, relative to the MSCI EAFE index. These funds typically will have less than 20% of assets invested in U.S. stocks.

Investment Policy Statement

A statement that sets forth investment objectives and constraints as well as the methods by which those objectives will be attained and measured.

Investment Style

A broad indicator of a fund's investment emphasis. For U.S. stock funds investment style usually indicates whether a fund emphasizes stocks of large-, medium-, or small-capitalization companies and whether it emphasizes stocks with growth or value characteristics or a blend of those characteristics.

Lifecycle Fund

A highly diversified fund designed to remain appropriate for investors in terms of risk throughout a variety of life circumstances. Accordingly, lifecycle funds offer different risk profiles that investors can shift invested funds between in order to manager risk effectively as they move from youth to middle age to retirement. Although lifecycle funds all share the common goal of first growing and then later preserving principal, they can contain any mix of stocks, bonds, and cash.

Lifestyle Fund

An investment fund featuring an asset mix determined by the level of risk and return that is appropriate for an individual investor. Factors that determine this mix include an investor's age, level of risk aversion, the investment's purpose and the length of time until the principal will be withdrawn.

Manager Risk

The possibility that a fund's portfolio manager may fail to execute a fund's investment strategy or style effectively and consistently so that the fund fails to achieve its statement objective.

Market Capitalization Breakdown

Morningstar separates stock portfolio holdings into five market-capitalization groups: Giant, Large, Mid, Small, and Micro. Of the 5000 largest domestic stocks in our equities database, the top 1% are categorized as Giant, the next 4% are Large, the next 15% are Mid, the next 30% are Small, and the remaining 50% are Micro. Stocks outside of the largest 5000 are also classified as Micro. The percentage of micro-cap stocks may seem lopsided, but the relatively small number of big, blue chip stocks accounts for a huge portion of the total amount of money invested in the market.

Market Risk

The possibility that stock or bond prices over broad segments of the market will fluctuate.

Median Returns

Median returns of each investment category are determined from Morningstar, Inc.'s Principia Pro Plus database of mutual funds. The median return is derived from a review of all investment funds identified by Morningstar, Inc. in a given investment category. The median return indicates that 50% of the available funds in the investment category had a net investment return greater than the median and approximately 50% of the available funds had a net investment return less than the category's median return.

Moderate Allocation

Moderate Allocation funds invest in both stocks and bonds and maintain a relatively higher position in stocks. These funds typically have 50%-70% of assets in equities and the remainder in fixed income and cash.

Money Market Fund

A fund that invests in highly liquid short-term securities, including bank certificates of deposits (CDs), commercial paper, and Treasury Bills (T-Bills).

MSCI EAFE Index

The Morgan Stanley Capital International Europe, Australia and the Far East (MSCI EAFE) Index is a measure of stock market performance in Europe, Australia and the Far East in U.S. dollar terms.

MSCI World Index

The Morgan Stanley Capital International (MSCI) World Index measures the performance of the stock market in the following countries: Argentina, Brazil, Canada, Chile, Greece, India, Indonesia, Jordan, Korea, Malaysia, Mexico, Pakistan, Peru, Portugal, Sri Lanka, Taiwan, Thailand, Turkey, United States, and Venezuela in US dollar terms.

Multi asset--Global

Funds that seek total returns by investing in varying combinations of equities, fixed-income securities, and other asset classes. These funds may invest a significant portion of assets in securities of foreign issuers.

Multisector Bond

Funds that seek income by diversifying their assets among several fixed-income sectors, such as U.S. government obligations, foreign bonds, and high-yield domestic debt securities.

Mutual Fund

An investment company that combines the money of its numerous shareholders to invest in a variety of securities in an effort to achieve a specific objective over time.

National Association of Real Estate Investment Trusts Equity (REIT's Index)

The NAREIT Equity – REIT's Index is an index developed by the National Association of Real Estate Investment Trusts (NAREIT) to measure the performance of tax-qualified equity REIT's listed on the New York Stock Exchange, American Stock Exchange and the NASDAQ National Market System. The total return is market value weighted and does not include dividends.

PSE Technology 100 Index

The Pacific Stock Exchange (PSE) Technology 100 Index is a price-weighted, broad-based index of 100 exchange-listed-and-over the counter stocks. This index populates fifteen industries and, as of the end of 1995, it represented a market capitalization of nearly \$600 billion. The industry groups include biotechnology, CAD/CAM, data communications, micro-computer manufacturing, office automation equipment, semiconductor capital equipment manufacturing, data storage and processing, large diversified computer manufacturing, electronic equipment, information processing, medical technology, semiconductor manufacturing, software products, and test, analysis, and instrumentation equipment.

Participant

An employee or former employee who has an accrued benefit under a plan.

Profit Sharing Plan

A plan under which contributions made by the employer is allocated to participants pursuant to a definite predetermined formula. Contributions are generally discretionary and may be made without regard to profits.

Prospectus

A fund's formal written statement, generally issued on an annual basis. In this statement the fund sets forth its proposed purposes and goals, and other facts (e.g.: history and investment objective) that an investor should know in order to make an informed decision.

Qualified Plan

A plan, the provisions of which satisfy Code Section 401(a). Sometimes used more broadly to include plans that qualify under other Code sections.

Risk

The possibility of deviation from a particular target; from an investor's perspective, the chance of financial loss or not attaining investment goals. Risk is often measured as the amount of unpredictable variability in the return on an investment.

Risk Tolerance

An investor's personal ability or willingness to endure declines in the prices of investments. Sometimes measured by risk tolerance questionnaires.

Russell 2000 Index

The Russell 2000 Index is intended to be a small capitalization market proxy. The index consists of the 2000 smallest stocks in the Russell 3000 representing approximately 7% of the total US equity market. The index reflects the reinvestment of dividends, if any, and capital gain distributions, if any, but does not reflect fees, brokerage commissions, or other expenses of investing. This index is used for comparison purposes. It is not possible to invest in an index.

S&P 400 Index

The S&P 400 Midcap Index consists of 400 domestic stocks, which are chosen by a committee at Standard & Poor's based on market capitalization, liquidity and industry representation. The index reflects the reinvestment of dividends, if any, and capital gain distributions, if any, but does not reflect fees, brokerage commissions, or other expenses of investing. This index is used for comparison purposes. It is not possible to invest in an index.

S&P 500 Index

The S&P 500 Index is an unmanaged index containing common stocks of 500 industrial, transportation, utility and financial companies regarded as generally representative of the US stock market. The index reflects the reinvestment of dividends, if any, and capital gain distributions, if any, but does not reflect fees, brokerage commissions, or other expenses of investing. This index is used for comparison purposes. It is not possible to invest in an index.

Sector Fund

A mutual fund which invests entirely or predominantly in a single sector. Some common sector funds include financial services funds, gold and precious metals funds, health care funds, and real estate funds.

Self-Directed Option

An investment option permitting participants to invest their plan assets in an unlimited number of investment alternatives through either a full brokerage account or a mutual fund window.

Small Company

Funds that seek capital appreciation by investing primarily in stocks of companies with market capitalizations of less than \$1 billion. In this objective, income payments from dividends are unlikely.

Socially Responsible Fund

A mutual fund that invests in companies that meet certain ethical and moral standards. Some examples include funds that only invest in environmentally conscious companies ("green funds"), funds that invest in hospitals and health care centers, and funds that avoid investing in alcohol or tobacco companies.

Specialty--Real Estate Category

Capital appreciation from real-estate-related equity securities is the primary objective of these funds.

Specialty--Technology Category

Funds that seek capital appreciation by investing primarily in equity securities of companies engaged in the development, distribution, or servicing of technology-related equipment or processes.

Stable Value Fund

A unique asset class offering defined contribution plan participants intermediate term returns and liquidity (subject to plan rules) without market value risk or other penalty. This is typically accomplished through a wrap contract or investment contract that guarantees the payment of plan-related benefits at book value (cost plus accrued interest,) which enables the entire investment to be carried at its book value.

Stock

A security that represents part ownership, or equity, in a corporation.

Stock Fund

A fund whose investment holdings consist mainly of stocks.

TIPS

Treasury Inflation-Protected Security. A security which is identical to a treasury bond except that principal and coupon payments are adjusted to eliminate the effects of inflation.

Trust

A legal entity established under state law that holds and administers plan assets for the benefit of participants and beneficiaries.

Trustees

The party or parties named in a trust document who are assigned responsibility for holding plan assets for the benefit of participants and beneficiaries in accordance with the terms of the plan and trust.

Value Stocks

Those stocks that have relatively high dividend yields and that sell at relatively low prices in relation to their earnings or book value. Funds that emphasize value stocks are sometimes called growth and income or "value" funds.