

**Investment and Governance Policy Statement**  
**Roman Catholic Archdiocese of Boston 401(k) Retirement Savings Plan**  
**Effective March 1, 2013**

**I. THE PLAN**

The Roman Catholic Archdiocese of Boston (“RCAB”) sponsors the RCAB 401(k) Retirement Savings (the “Plan”) for the benefit of its employees and the employees of related Catholic entities who have agreed to participate in the Plan. The Plan is intended to provide eligible employees with the long-term accumulation of retirement savings through a combination of employee and employer contributions to individual participant accounts.

The Plan is a tax-qualified employee benefit plan intended to comply with all applicable federal laws and regulations, including the Internal Revenue Code of 1986, as amended (“Code”). The Plan is not covered by the Employee Retirement Income Security Act of 1974 (ERISA), as amended, due to its “church plan” status under Code Section 414(e) and ERISA Section 3(33).

**II. PLAN GOVERNANCE AND OPERATION**

**A. Retirement Committee**

The Archbishop has appointed a committee that is responsible, with the advice of a qualified investment consultant, for the selection and monitoring of investment options available under the Plan (the “Retirement Committee,” or “Committee”). Specific responsibilities of the Committee include:

- Preparation and maintenance of this Policy Statement
- Prudently selecting investment options
- Periodically evaluating the Plan’s investment options and making investment option changes, if warranted
- Tracking all investment, recordkeeping and administrative expenses associated with the Plan
- Providing plan participant investment education and communication to assist employees in making informed investment decisions
- Appointment and ongoing monitoring of the Plan’s investment consultant, third party administrator, legal counsel, auditors, accountants, plan administrator, and any other third party engaged to provide services to the Plan or its participants
- Recommending and adopting Plan amendments to comply with legal requirements or as deemed appropriate by the Committee and/or as recommended by its advisors
- Making final decisions regarding interpretations of Plan provisions
- Directing the Plan Administrator to make timely and appropriate reports of Plan expenses to Plan participants and participating employers

The Committee shall be comprised of the persons stated in the Plan document. The Committee shall meet no less than semi-annually to review plan investment options and overall Plan performance. Committee meetings may be held via conference call, such calls having the same effect for all purposes herein as a Committee meeting in person. While the Plan is not covered under ERISA, it is the intention of the Committee to oversee the Plan by applying fiduciary standards similar to those set forth in ERISA unless and to the extent superseded by state law.

The Committee and all other fiduciaries will discharge their responsibilities under the Plan solely in the interests of Plan participants and their beneficiaries.

Action may be taken by a majority vote of those present at any Committee meeting at which a quorum is present. A quorum for purposes of regularly scheduled meetings shall be one more than 50% of the entire Committee. A quorum for purposes of any other meeting shall be a majority of the entire Committee. Meetings of the Committee may be called by any Committee member or by the Plan Administrator on at least ten (10) days written notice to each Committee member, or without notice, provided that a written waiver of notice shall be signed by a majority of the Committee members. Any action that could be taken at any meeting of the Committee may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, is signed by all of the Committee members then in office, which signatures may be effectuated via a consent delivered by electronic mail. Any meeting of the Committee may be a telephone conference meeting, with prior notice in accordance with this Section. Written notice of any meeting provided for herein may be given by electronic mail.

### **B. Investment Consultant**

The Committee has retained an Investment Consultant, Graystone Consulting, to assist in fulfilling certain responsibilities. The Investment Consultant's role is that of a non-discretionary advisor to the Committee and includes the following activities:

- Assisting in the development and periodic review of the Policy Statement
- Conducting searches for investment options when requested by, and per the instructions of, the Committee
- Reviewing performance reports on the investment options with the Committee
- Updating and educating newly appointed Committee members on matters such as the Plan's investment history and historical capital markets performance

The responsibilities of the Committee outlined in Sections IV, V and VI, below, are to be undertaken with guidance from the Investment Consultant.

### **C. Plan Administrator**

The staff member(s) designated by the Committee will provide administrative services to Plan participants and will coordinate communication between the above-mentioned groups as Plan Administrator.

## **III. PURPOSE OF THE INVESTMENT AND GOVERNANCE POLICY STATEMENT**

This Investment and Governance Policy Statement:

- Outlines the Plan's governance structure and describes the roles of each operative body;
- Defines the Plan's investment objectives;
- Describes the criteria and procedures for selecting, monitoring, and changing investment options; and
- Describes alternatives for addressing investment options that fail to satisfy established objectives.

#### **IV. INVESTMENT OBJECTIVES**

Plan participants and beneficiaries are expected to have different investment objectives, time horizons, and risk tolerances. To meet these varying investment needs, participants and beneficiaries should be able to direct their account balances among a range of investment options that allow them to construct diversified portfolios that reasonably span the risk/return spectrum. Participants and beneficiaries alone bear the risk of investment results from the investment options that they select.

The Plan's investment options will be selected to:

- Maximize return within reasonable and prudent levels of risk;
- Provide returns comparable to returns for similar investment options;
- Provide exposure to a wide range of investment opportunities in various asset classes;
- Provide investment alternatives that comply with the USCCB's Socially Responsible Investment Guidelines; and
- Control administrative and management costs.

#### **V. SELECTION OF INVESTMENTS**

In selecting investment options, it is the intent of the Committee to provide a range of investment options that will span the risk/return spectrum and to permit participants and beneficiaries to construct portfolios consistent with their unique individual circumstances, goals, time horizons, and tolerance for risk. Major asset classes to be offered will include:

- Stable value and/or money market;
- Bonds;
- Domestic equity;
- International equity; and
- Target Maturity.

The Committee may further break down one or more asset classes (for example, by style such as growth vs. value or by size such as small cap, mid cap, large cap or by region such as domestic, international).

Within each asset class, the Committee will determine the number of investment options offered. Investment options will generally be in the form of mutual funds, but may also include insurance separate accounts, or commingled trusts. Any particular investment option should meet the following standards for initial selection:

1. Historical performance should generally equal or exceed the average return over the preceding 3-year and/or 5-year period relative to an appropriate style-specific benchmark (the "Benchmark") and/or its peer group of funds with a similar investment style (the "Peer Group");
2. Historical risk, as measured by the standard deviation of the investment over the preceding 5-year period, should be comparable to the risk of the Benchmark over the same period.

3. The composition of the investment option should be consistent with its stated investment objective.
4. The expense ratio should be competitive to investment options within its Peer Group.

The Committee shall determine the Benchmark and Peer Group for each investment option, and may change either as necessary or appropriate from time to time. Further, the criteria set forth in Items 1 through 4 above shall be applicable only to actively managed funds.

The Committee has designated a family of Target Maturity funds as the default investment option for the Plan. Target Maturity funds may not be individually subject to standards listed in Items 1 and 2 above. Target Maturity funds should offer an asset allocation strategy that automatically changes over time, becoming more conservative as the target date approaches. The Target Maturity series of funds should be well diversified across a variety of asset classes, including domestic equity, international equities, fixed income and stable value/money market investments.

## **VI. INVESTMENT MONITORING AND REPORTING**

Each investment option shall be monitored for on-going compliance with the criteria set forth in Section V. The monitoring process shall include at least semi-annual reviews of investment option performance with advice and input from the Investment Consultant.

Any investment option that fails to satisfy all of the criteria set forth in Section V shall be placed on a "Watch List." In addition, an investment option shall be placed on the Watch List in the event of an investment fund manager change or upon recommendation by the Investment Consultant, and following approval of the placement on the Watch List by the Committee.

Once an investment option is placed on the Watch List, the option will be reviewed at each Committee meeting. The review may include both quantitative and qualitative factors including, without limitation: personnel turnover; stewardship; ownership changes; changes in investment approach; style drift; risk/return ranking; correlation to other offerings; peer group/benchmark ranking; alpha; beta; standard deviation; and information ratio.

A fund may not satisfy all of the criteria set forth in Section V and still be maintained as an investment option if the Committee determines that it is in the best interests of participants and beneficiaries to continue offering the option. The Committee shall decide when to remove an investment option from the Watch List.

If the Committee determines that action is required, it may take one of the following actions:

1. The Committee may add a new investment option to the Plan in the same investment style as the existing option, thereby allowing participants to diversify out of the existing option on their own;
2. The Committee may replace the investment option with a new investment option with a similar investment style and objective. Amounts invested in the replaced investment option would be transferred to the new investment option; or

3. The Committee may remove the investment option without replacement. In this case amounts invested in the removed option will be transferred to one of the other available investment options.

The Committee will consider these alternatives and will consider multiple factors, including the number of participants in the investment option, the amount of assets in the investment option, and the amount of time the investment option has been in Plan. The Committee will then decide which course of action is in the best interest of participants and beneficiaries.

## **VII. MODIFICATION OF INVESTMENT POLICY STATEMENT AND CHANGE IN INVESTMENT OPTIONS**

This Investment Policy Statement may be amended by the Committee to further the best interests of the Plan and its participants and beneficiaries, and/or to comply with changes in the Plan or applicable law.

Investment options may be changed at any time at the discretion of the Committee in accordance with the agreed upon general monitoring and selection criteria set forth in this Investment Policy Statement.

## **VIII. COORDINATION WITH THE PLAN DOCUMENT**

If any term or condition of this Investment Policy Statement conflicts with any term or condition in the Plan, the terms and conditions of the Plan shall control.

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John Straub, Chancellor, Roman Catholic Archdiocese of Boston  
signing on behalf of all members of the Retirement Committee