

Investment Policy Statement

Prepared on: August 1, 2011

Prepared for:

Willamette University
900 State Street SE
Salem OR 97301

Executive Summary

Client Name: Willamette University 403(b) Defined Contribution Retirement Plan
Client Type: Retirement Plans - Participant Directed
Client Subtype: 501(c)(3) not-for-profit institution
Fiduciary Standard of Care: ERISA
Tax Id: 93-0386972
Current Assets: projected: \$5-25 million*

*Asset projection consists of anticipated contributions for the first year plus potential rollovers/transfers in.

"Safe Harbor" Compliance Options:

404(c): Intend to comply
Fiduciary Adviser: Do not intend to use
QDIA: Intend to comply

Any change to this policy should be communicated in writing and on a timely basis to the plan's Retirement Plan Advisory Committee members and any other parties they deem need to know. If any term or condition of this Investment Policy Statement conflicts with any trust and/or plan document, the trust and/or plan document shall control, as long as such term or condition is consistent with the law.

Investment Options List

Large Value	Diversified Emerging Mkts
Large Blend	Intermediate Term Bond
Large Growth	Multisector Bond
Mid-Cap Blend	Short-Term Bond
Small Blend	Global Real Estate
Foreign Large Blend	Stable Value

This list of asset classes is not intended for selection of those funds under the Socially Responsible Investment (SRI) strategy (Appendix D). For participants who desire to invest in asset classes or funds not available on the plan's investment menu, the plan will offer the opportunity to establish a brokerage account through which they may elect to self-direct their investment strategy outside the fiduciary scope of the plan's Retirement Plan Advisory Committee (Committee). This IPS will not apply to, nor will the Committee have oversight or responsibility over the investment options available through such brokerage accounts. Participants who choose to utilize this option will be required to sign an indemnification letter attesting to their understanding that they are moving outside the oversight and responsibility of the Committee.

Purpose

The purpose of this Investment Policy Statement (IPS) is to assist the Committee in effectively supervising, monitoring and evaluating the management of the Retirement Plan. The Committee will discharge its responsibilities under the Plan solely in the interests of Plan participants and their beneficiaries.

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

1. Stating in a written document the Committee's attitudes, expectations, objectives and guidelines for the investment of all of the plan's assets.
2. Encouraging effective communications between the Committee and all parties involved with the investment management decisions.
3. Establishing formal criteria to select, monitor, evaluate and compare the performance results achieved by each investment option on a regular basis.
4. Establishing the number and characteristics of offered investment options.
5. Providing rate-of-return and risk characteristics for each asset class represented by various investment options.
6. Complying with all ERISA, fiduciary, prudence and due diligence requirements experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact the Plan assets.

Statement of Objectives

Consistent with its mission, as well as its motto, "not unto ourselves alone are we born," in September, 1957, Willamette University established a defined contribution retirement plan for its faculty and staff. The objective of the plan was and continues to be to provide a vehicle for accumulation of savings by employees to help prepare themselves for retirement. Willamette University continues to maintain the Willamette University 403(b) Defined Contribution Retirement Plan with this intent, as well as a desire to create an incentive that will attract and retain outstanding faculty and staff. Willamette University wishes to promote high overall participation in the plan and encourage employees to take personal responsibility for their financial futures and establish consistent saving habits.

The plan covers approximately 1,300 participants, both active and non-active. The total plan assets are currently approximately \$110,000,000. Annual contributions are expected to be about \$5,000,000. In spring of 2011, a decision was made by the Committee to adopt a single-plan, single-vendor model. Beginning January 1, 2012 all new contributions fall under this new framework.

This plan has, and will continue to have for some time, "legacy" assets held at prior vendors (TIAA-CREF and VALIC) due to the fact that these accounts were set up under individual contracts, and the University has no authority to move the assets, change platforms, or effect any change whatsoever. All such legacy assets are deemed to be outside the scope and purview of fiduciary responsibility of the University, the Retirement Plan Advisory Committee, and this Investment Policy Statement.

The objectives of the Plan are to:

- Have the ability to pay all benefit and expense obligations when due.
- Provide the participants the ability to diversify their investments by offering various asset classes and investment styles.
- Control the costs of administering the plan and managing the investments.
- Provide Socially Responsible Investment (SRI) funds on the plan's investment menu.
*Refer to the Socially Responsible Investment (SRI) Strategy as outlined in Appendix D for detail.
- Establish procedures intended to be consistent with ERISA 404(a) general Safe Harbor requirements.
*Refer to ERISA 404(a) requirements as outlined in Appendix E.
- Establish procedures intended to be consistent with ERISA 404(c) Safe Harbor requirements.
*Refer to ERISA 404(c) requirements as outlined in Appendix E.
- Provide a default investment for plan participants who do not make their own investment choice that is intended to be consistent with the criteria defining a Qualified Default Investment Alternative (QDIA).
*Refer to QDIA requirements as outlined in Appendix E.

Duties and Responsibilities

Retirement Plan Advisory Committee

As fiduciaries under the plan, the primary responsibilities of the Committee are:

1. Prepare and maintain this investment policy statement.
2. Provide investment options that allow plan participants to diversify their investments.
3. Prudently select investment options.
4. Control and periodically review all investment, record keeping and administrative expenses associated with the plan.
5. Monitor all service vendors and investment options.
6. Avoid prohibited transactions and conflicts of interest.
7. Refrain from giving investment advice.

Custodian

Custodians are responsible for the safekeeping of the plan's assets. The specific duties and responsibilities of the custodian are:

1. Value the holdings.
2. Collect all income and dividends owed to the plan.
3. Settle all transactions (buy-sell orders).
4. Provide monthly reports that detail transactions, cash flows, and securities held, including their current value and change in value since the previous report.
5. Maintain separate accounts by legal registration.

Investment Advisor

The Investment Advisor serves as an objective, third-party retained to assist the Committee in managing the overall investment process. The Advisor is responsible for guiding the Committee through a disciplined investment process to enable the Committee to meet the fiduciary responsibilities outlined above. The advisor will serve as a co-fiduciary to the plan under ERISA 3(21).

Asset Class Guidelines

The Committee has decided to establish and maintain a disciplined investment process modeled after best practices such as those found in *Prudent Practices for Investment Stewards* (pub. Fiduciary360). Regarding the determination of asset classes to be utilized in the plan's investment strategy, as well as the selection and monitoring of investment vehicles implemented for those asset classes, these best practices center on the well established and documented principles of diversification and asset allocation. These principles assert that long term investment performance, in large part, is primarily a function of asset class mix, and that diversification among asset classes can help manage and reduce risk. This approach is based on observation and study of the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards.

The following asset classes were selected and ranked in ascending order of volatility risk according to the most recent quarter's median 3-year Standard Deviation value. The performance expectations (both risk and return) of each broad asset class are contained in Appendix A, with class correlations summarized in Appendix B for informational purposes. This Asset Class menu applies only to non-SRI fund selection. For the committee's strategy on selection of SRI funds, see Appendix D.

Stable Value	Large Growth
Short-Term Bond	Mid-Cap Blend
Intermediate-Term Bond	Foreign Large Blend
Multisector Bond	Small Blend
Large Blend	Global Real Estate
Large Value	Diversified Emerging Mkts

Implementation

Each investment option must be managed by: (i) a bank; (ii) an insurance company; (iii) a registered investment company (mutual fund); or, (iiii) a registered investment adviser. The Committee will apply the following due diligence criteria in selecting each money manager or mutual fund. These criteria are guidelines only—the decision to include an investment option cannot be made solely by a formula. The Committee is expected to exercise its best judgment and discretion in the interests of the plan's participants. It is the Committee's confidence in the investment option's ability to perform in the future that ultimately determines the inclusion of an investment option.

fi360 Fiduciary Score Avg (3yr): Investment must receive a score of less than or equal to 25. (i.e. The fund must place in the top 25% of its peer group)

*Please reference the fi360 Fiduciary Score Methodology as outlined in Appendix C for additional details.

Monitoring - Performance Objectives

Consistent with the plan's goals, the Committee intends to evaluate investment performance from a long-term perspective and to review and analyze particular investment options periodically.

At its discretion, the committee may, if it deems it appropriate to do so, replace a manager at any time.

Periodically, but not less than quarterly, the committee will meet to review each investment option with regard to:

1. Adherence to the Watch List Criteria identified below;
2. Material changes in the investment option's organization, investment philosophy, or personnel;
3. Any legal, SEC or other regulatory agency proceedings affecting the investment option's organization.

Monitoring - Benchmarks

Manager performance will be evaluated in terms of an appropriate market index (e.g. the S&P 500 stock index for large-cap domestic equity manager) and the relevant peer group (e.g. the large-cap growth mutual fund universe for a large-cap growth mutual fund).

Peer Group

Large Value
Large Blend
Large Growth
Mid-Cap Blend
Small Blend
Foreign Large Blend
Diversified Emerging Mkts
Intermediate-Term Bond
Multisector Bond
Short-Term Bond
Global Real Estate
Stable Value

Benchmark Index

Russell 1000 Value TR USD
Russell 1000 TR USD
Russell 1000 Growth TR USD
S&P MidCap 400 TR
Russell 2000 TR USD
MSCI AC World Ex USA NR USD
MSCI EM NR USD
BarCap US Govt/Credit 5-10 Yr TR USD
BarCap US Universal TR USD
BarCap Govt/Credit 1-5 Yr TR USD
MSCI World/Real Estate NR USD
USTREAS T-Bill Cnst Mat Rate 3 Yr

Monitoring - Watch List Criteria

These criteria are guidelines only, and the decision to retain or replace an investment option cannot be made solely by formula. Also, extraordinary events do occur that may interfere with the investment manager's ability to prudently manage investment assets. The Committee is expected to exercise its best judgment and discretion in the interests of the plan's participants. It is the Committee's confidence in the investment option's ability to perform in the future that ultimately determines the retention of an investment option.

An investment option may be placed on a Watch List and a review and analysis of the investment option may be conducted, when a fund fails to maintain the due diligence criteria stated in the Implementation section above, namely:

fi360 Fiduciary Score Avg (3yr): Investment must maintain a score of less than or equal to 25. (i.e. The fund must place in the top 25% of its peer group)

*Please reference the fi360 Fiduciary Score Methodology as outlined in Appendix C for additional details.

Monitoring - Measuring Costs

The Committee will review at least annually all costs associated with the management of the plan, to insure that such costs are reasonable and necessary. Costs to be reviewed include:

1. Expense ratios of each mutual fund against the appropriate peer group.
2. Administrative Fees; costs to administer the plan, including record keeping, custody and trust services.
3. The proper identification and accounting of all parties receiving soft dollars and/or 12b-1 fees generated by the plan.

Investment Policy Review


The Committee will review this IPS annually to evaluate whether stated investment objectives are still relevant. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

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Signature

Date

 9/20/11

Date of Committee Approval:


8/1/2011 w/ amendments 9/20/11

Approved by:
Position

Keith Grimm
Committee Chair, Director of Human Resources

Signature

Date

 9/20/11

Appendix A: Capital Market Inputs – Risk and Return

Capital Market Data last updated April 2011. Copyright (c) 2011 New Frontier Advisors, LLC

	Return (%)	Risk (%)	Underlying Index	Peer Group
Large Cap Equity	8.1	16.0	SBBI Large Company Stocks	Large Blend
Mid Cap Equity	8.4	18.0	Russell Mid Cap	Mid-cap Blend
Small Cap Equity	8.7	21.9	SBBI Small Company Stocks	Small Blend
International Equity	8.4	17.7	MSCI EAFE	Foreign Large Blend
Emerging Market Equity	9.2	24.6	MSCI Emerging Markets	Diversified Emerging Markets
REITs	7.0	19.3	DJ US Select REIT	Real Estate
High Yield Bond	4.8	8.6	Credit Suisse High Yield Bond Index	High Yield Bond
Long-term Bond	4.1	10.1	Barcap U.S. Long Gov/Credit Bond	Long Term Bond
Intermediate-term Bond	3.5	4.7	Barcap U.S. Interm. Gov/Credit Bond	Intermediate Term Bond
International Bond	3.9	10.8	Citigroup World Gov Bond ex US	World Bond
Commodities	2.0	19.7	Gold, London PM Fix	Equity Precious Metals
Money Market	3.1	1.2	SBBI 30 day US Treasury Bill	Money Market Taxable

Appendix B: Capital Market Inputs – Correlation Matrix

	LCE	MCE	SCE	IE	EM	REIT	HY	LTB	ITB	IB	MO	CO
Large Cap Equity (LCE)	1.00	0.93	0.76	0.63	0.66	0.59	0.60	0.30	0.24	0.07	0.16	0.01
Mid Cap Equity (MCE)	0.93	1.00	0.88	0.61	0.70	0.68	0.67	0.29	0.23	0.06	0.12	0.04
Small Cap Equity (SCE)	0.76	0.88	1.00	0.52	0.65	0.66	0.65	0.18	0.12	-0.02	0.08	0.02
International Equity (IE)	0.63	0.61	0.52	1.00	0.65	0.45	0.49	0.22	0.19	0.46	0.13	0.18
Emerging Market Equity (EM)	0.66	0.70	0.65	0.65	1.00	0.48	0.54	0.12	0.08	0.12	0.03	0.23
REITs (REIT)	0.59	0.68	0.66	0.45	0.48	1.00	0.60	0.24	0.19	0.10	0.06	0.05
High Yield Bond (HY)	0.60	0.67	0.65	0.49	0.54	0.60	1.00	0.37	0.32	0.14	0.09	0.07
Long-term Bond (LTB)	0.30	0.29	0.18	0.22	0.12	0.24	0.37	1.00	0.88	0.44	0.32	0.04
Intermediate-term Bond (ITB)	0.24	0.23	0.12	0.19	0.08	0.19	0.32	0.88	1.00	0.50	0.42	0.06
International Bond (IB)	0.07	0.06	-0.02	0.46	0.12	0.10	0.14	0.44	0.50	1.00	0.18	0.29
Money Market (MM)	0.16	0.12	0.08	0.13	0.03	0.06	0.09	0.32	0.42	0.18	1.00	-0.13
Commodities (CO)	0.01	0.04	0.02	0.18	0.23	0.05	0.07	0.04	0.06	0.29	-0.13	1.00

Appendix C: Fi360 Fiduciary Score® Methodology (Summary)

The fi360 Fiduciary Score is a peer percentile ranking of an investment against a set of quantitative due diligence criteria selected to reflect prudent fiduciary management. For each investment with at least a three-year history, fi360 calculates the fi360 Fiduciary Score based on the following due diligence criteria: regulatory oversight, minimum track record, stability of the organization, assets in the investment, composition consistency with asset class, style consistency, expense ratio/fees relative to peers, risk-adjusted performance relative to peers, and performance relative to peers. Investments are evaluated at the conclusion of each calendar quarter. If an investment does not meet an individual due diligence criterion, points are assigned. Investments that satisfy all of the due diligence criteria receive a fi360 Fiduciary Score Quarter of 0. Every other investment is given a Score of 1-100 based on their point total, and representing their percentile ranking within their peer group. The fi360 Fiduciary Score Average is a one-, three-, five- or ten-year rolling average of an investment's Quarter Score. The Average Score is also calculated on a quarterly basis. The fi360 Fiduciary Score represents a suggested course of action and is not intended, nor should it be used, as the sole source of information for reaching an investment decision. Visit fi360.com/fi360-Fiduciary-Score for the complete methodology document.

fi360 Fiduciary Score Criteria:

- a. Track record: The fund should have a minimum three year history.
- b. Assets in the fund: The fund should have at least \$75 million under management (total across all share classes).
- c. Stability of the organization: The portfolio manager should have at least a two-year tenure. In a management team setting, the most senior manager's tenure should be at least two years.
- d. Composition consistent with asset class: A minimum of 80% of the fund's securities should be consistent with the peer group's asset class. (Only applicable to certain peer groups)
- e. Style consistency: The fund's category and current style box should be the same. (Only applicable to certain peer groups)
- f. Expense ratio/fees relative to peers: The expense ratio for the fund should be above the bottom quartile (most expensive) of the peer group.
- g. Risk-adjusted performance relative to peers: The fund's Alpha and Sharpe Ratio should be above the peer group's median.
- h. Performance relative to peers: The fund's 1-, 3- and 5-year trailing performance should be above the peer group's median.

Appendix D: Socially Responsible Investment (SRI) Strategy

The Committee has adopted the following Socially Responsible Investment strategy:

1. The Committee will appoint a subcommittee of 2-3 persons who will be given the charge of investigating Socially Responsible Investment (SRI) offerings available to the plan, to determine the suitability and prudence of inclusion of any SRI funds in the investment menu, and to monitor such funds on an ongoing basis.
2. Each SRI fund chosen for the plan should:
 - a. Be evaluated relative to the University's mission, culture, and philosophy toward social responsibility.
 - b. Have a clear and understandable investment strategy.
 - c. Have a clear and understandable philosophy of social responsibility and an equally clear and understandable methodology of applying this philosophy to their investment strategy.
 - d. Be regarded based on generally accepted standards and research, to be successful in its objectives related to social responsibility.
3. SRI funds selected for the plan must also meet and maintain normal implementation and monitoring criteria as outlined in the IPS.
4. The sub-committee will monitor each SRI fund offered on the investment menu as to its continued suitability for inclusion on the plan's investment menu based both on performance relative to normal monitoring criteria outlined in the IPS and its continued success in maintaining SRI standards.

Appendix E: ERISA Safe Harbor Requirements

ERISA 404(a) general "Safe Harbor" requirements:

*For purposes of this objective "Prudent Expert" refers only to the money managers chosen for the plan.

1. Use prudent experts (registered investment adviser (including mutual funds), bank, or insurance company) to make the investment decisions.
2. Demonstrate that the prudent expert was selected by following a due diligence process.
3. Give the prudent expert discretion over the assets.
4. Have the prudent expert acknowledge their co-fiduciary status (mutual funds are exempt from this requirement – the prospectus is deemed to serve as the fund's fiduciary acknowledgement).
5. Monitor the activities of the prudent expert to ensure that the expert is performing the agreed upon tasks.

ERISA 404(c) "Safe Harbor" requirements:

1. Notify plan participants that the plan sponsor intends to constitute a 404(c) plan.
2. Provide participants at least three investment options that have a different risk/return profile.
3. Provide participants with sufficient information so the participant can make an informed decision about his or her selection of investment option(s).
4. Permit participants to change their investment strategy/allocation with a frequency that is appropriate in light of market volatility.

Qualified Default Investment Alternative (QDIA)—In order to satisfy QDIA requirements, a default investment must be:

1. An age-based life-cycle or targeted retirement date fund or account; or
2. A risk-based, balanced funds; or
3. An investment management service.