

Statement of
Investment Policy
for the

Cash Balance Pension Plan

Date:

I. INTRODUCTION

The purpose of the _____ Cash Balance Pension Plan (“Plan”) is to provide eligible participants with retirement benefits. This Investment Policy Statement (“IPS”) is intended to assist the Plan’s Committee in effectively supervising, monitoring and evaluating the investment of Plan assets.

II. CASH BALANCE PLAN

The Plan is a cash balance pension plan, which is a form of defined benefit pension plan. It has significant differences that are taken into account in this IPS.

In the Plan, each participant has an account representing his or her benefit under the Plan. The account grows annually through two additions, a hypothetical contribution and a hypothetical interest credit, the Accumulation Interest Rate (“AIR”) as defined in the Plan. Each year an actuarial study is performed to determine the amount of the contribution required of the Plan’s sponsor to meet the Plan’s needs and other legal requirements.

Shortfalls between the actual rate of return of the Plan and the AIR may result in an increase in future required contributions to the Plan by the Plan Sponsor. Alternatively, actual rates of return that exceed the AIR may result in a decrease in future required contributions to the Plan by the Plan Sponsor.

III. PLAN’S INVESTMENT OBJECTIVE

The objective of the Plan’s investments is to achieve a rate of return approximately equal to the AIR. The Plan provides for an AIR that bears a relationship to the annualized yield of a 30-year U.S. Treasury bond. The specific calculation of the AIR is defined in the Plan.

The Committee expects to exercise reasonable patience in monitoring the Plan’s progress in meeting the investment objective. The Committee does not intend to be reactive to short-term investment developments, realizing that a complete market cycle must be considered before quantitatively assessing the performance of the Plan’s assets. A period of four to six years is generally considered a market cycle.

Periodically, the Plan will need to be able to make distributions to participants. Therefore, a portion of the Plan portfolio may need to be allocated to investments that are expected to experience low principal risk and may be liquidated at any time with minimal transaction costs and/or delay. This will depend upon the Plan’s expected amount of annual distributions.

IV. ALLOWABLE FORMS OF INVESTMENT VEHICLES

Plan assets will generally be invested in securities that are readily redeemable. Such investments may include:

- A. Investment companies registered under the Investment Company Act of 1940 (e.g. Mutual Funds and ETFs)
- B. Insurance Company pooled separate accounts

- C. Investment Contracts with insurance companies, including general account obligations or guaranteed investment contracts either on a pooled or individual contract basis
- D. Group trusts, commingled trusts or separately managed accounts consisting of a diversified group of individual securities
- E. Separately managed accounts
- F. Fixed-income instruments of U.S. or foreign issuers, such as:
 - 1. Obligations of Governments or their agencies;
 - 2. Corporate securities;
 - 3. Mortgage-backed securities;
 - 4. Asset-backed securities;
 - 5. Money-market instruments;
 - 6. Obligations of U.S., state and local entities;
 - 7. Financial derivative instruments, such as forwards, futures, options and swaps.
 - 8. Foreign Exchange Contracts, such as foreign currency forwards and futures
- G. Equity instruments of U.S. or foreign issuers, such as:
 - 1. Commingled funds including mutual funds offered by the manager and exchange traded funds that invest in securities that are substantially consistent with these guidelines;
 - 2. Individual securities traded on regulated exchanges and equity futures contracts

V. INVESTMENT VEHICLE

The Plan's assets are to be invested in the Payden/Kravitz Cash Balance Fund ("Fund") as of the date of this IPS. The Fund is a mutual fund designed for cash balance plans that use the yield on a 30-year Treasury bond as the interest rate credited to participants' accounts. As such, the Fund's reference market rate of return is the yield on a 30-year Treasury bond. The Fund seeks to achieve this objective using methods consistent with the preservation of capital. Future Plan contribution requirements are not expected to vary widely if the Fund meets its objectives.

Plan assets invested in the Fund will be subject to the guidelines and limits imposed by the Fund's prospectus, Statement of Additional Information, offering circular or other governing documentation.

VI. INVESTMENT STRATEGY

A. Risk Management

There is no way to eliminate all forms of investment risk. Rather a choice is normally made as to what forms and levels of risk are acceptable. Generally, risk should only be assumed when there

is a reasonable expectation that it will result in a commensurate increase in return. Risk can be controlled in the following ways:

1. Individual Security Risk

To minimize individual security risk, emphasis is placed on diversifying Plan assets. The Fund may help control this risk by using a larger number of securities across asset classes.

2. Market Risk

Market risk generally includes equity market risk, and to a lesser extent, bond market risk in below government quality bonds. To minimize market risk, emphasis is placed on utilizing higher quality fixed income instruments. The Fund will help control market risk by utilizing only enough equities and lower credit quality bonds to meet its objective.

3. Credit Risk (Fixed Income)

Credit risk is defined as the risk that the issuer of a fixed income obligation would default on that obligation. While bonds with higher levels of credit risk offer the opportunity for enhanced returns, they also present the potential for significant loss of part or all of principal.

To reduce credit risk, the Fund will generally focus on higher quality fixed income instruments.

4. Interest Rate Risk

Increases in interest rates can affect the Plan in two ways. First, sustained increases in interest rates can eventually increase the 30-year Treasury bond rate and the Plan's AIR. Second, increases in interest rates can cause bond prices to drop, thus impacting the principal value of the bond portfolio.

To reduce interest rate risk, the Fund may focus on fixed income instruments with lower maturities and/or lower durations when possible.

B. Asset Allocation

Investment strategy and portfolio construction generally follows the principles of Modern Portfolio Theory (MPT). Focus is placed on building a well-diversified portfolio that is appropriate to meet the Plan's objectives.

C. Absolute Return

Negative investment returns may result in additional funding by the Plan sponsor. The degree of additional funding typically increases as returns become more negative. Thus, the investment strategy will focus on achieving positive absolute returns on a consistent basis to meet the AIR as close as possible. A primary objective of the Fund is to attempt to provide positive absolute returns on a consistent basis.

VII. FUND MONITORING

As the Fund is structured within an absolute return investment strategy, it may be difficult to benchmark the fund performance and risk factors using traditional relative return measurements. Therefore, the Fund will be monitored according to the following guidelines:

A. Performance

The AIR for the Plan will change on an annual basis. The Fund will be monitored based on its ability to meet these return requirements on a consistent basis with as little volatility as possible.

B. Risk

Risk levels should remain low and lie within reasonable ranges. Risk will be monitored primarily by standard deviation. Risk may also be monitored by Sharpe Ratios, Bear Market Rank, Beta, Morningstar Risk Ratings and portfolio concentrations based on number of fund holdings and/or percent of assets.

C. Organization and Management

The Fund should have consistency of management. Manager tenure is a value to be emphasized, as is the strength and expertise of the sponsoring investment organization. The Fund is managed under a team approach and, as such, should not be susceptible to individual fund manager changes of other mutual funds.

Sponsoring investment organizations shall also be expected to adhere to accepted standards of ethical practice and to comply with all appropriate securities regulations. Corporate stewardship, compliance to applicable regulatory issues, board quality, and corporate culture may also be considered during the investment screening process. When possible, preference will be given to investment management organizations with a proven commitment to the interests of long-term shareholders.

D. Fees

Although fees should be considered as one factor in the overall fund selection process, the Plan Sponsor acknowledges that investment management fees in an absolute return investment strategy are only a factor to the extent that they keep the investment strategy from meeting the targeted objective. The Committee shall monitor the investment management fees periodically to determine to what extent the fees associated with the Fund are a factor in not achieving the AIR.

VIII. FUND/MANAGER MONITORING & REPLACEMENT

The Committee and any Consultant will monitor the Fund on a regular basis. At its discretion, the Committee will replace the Fund when they determine that the Fund is no longer suitable for the Plan. This determination may be made due to any one of a number of factors, including:

- A. Change in key personnel such as fund managers;
- B. A change in the fund's fundamental operating philosophies;

- C. Continued under performance relative to the Plan's target benchmarks;
- D. Increased risk levels due to security selection, sector concentration, or asset concentration and,
- E. Significant increase in expenses.

IX. RESPONSIBILITIES

A. Committee

The responsibilities of the Committee include

1. Reviewing at least annually the investment performance of the Payden/Kravitz Cash Balance Plan Fund, to ensure that it continues to meet the terms of this IPS.
2. Appointing a Consultant, if desired. The Committee may decide not to appoint a Consultant, in which case the responsibilities of the Consultant shall fall to the Committee.

In the event a Committee is not appointed, the term Committee shall mean the Plan Administrator or other appropriate fiduciary appointed pursuant to the terms of the Plan.

B. Consultant

Responsibilities of the Consultant include

1. Assisting the Committee in monitoring investment performance in accordance with this IPS.
2. Assisting the Committee with the replacement of funds as necessary.
3. Periodic reporting of investment results.

X. SIGNATURE

On behalf of the Committee, the undersigned hereby adopts this Investment Policy Statement on _____, 20__.

Print Name

Signature