

University of Notre Dame 403(b) Investment Policy Statement

University of Notre Dame 403(b) Retirement Plan

July 2013

403(b) Investment Policy Statement

Introduction

The University of Notre Dame (the “University”) sponsors a defined contribution retirement plan for its eligible employees. The plan is eligible for favorable tax treatment under Section 403(b) of the Internal Revenue Code.

The University sponsors the defined contribution retirement plan, in part, to attract and retain talented personnel by providing a competitive, tax-deferred retirement savings program for eligible employees.

The University’s 403(b) Retirement Plan (the “Plan”) is the primary mandatory retirement plan for eligible faculty and exempt staff. Upon meeting the eligibility requirements, eligible employees are required to participate in the Plan by contributing 5% of eligible compensation. The University makes contributions to the Plan on behalf of participants in an amount equal to 10% of eligible compensation.

The Plan also provides all employees with the opportunity to make voluntary tax-deferred contributions to supplement their retirement savings.

The assets of the Plan are invested, at the election of Plan participants, in one or more investment vehicles offered by the following administrative service providers: Fidelity Investments, TIAA-CREF, and The Vanguard Group.

Purpose

The purpose of this Investment Policy Statement (the “Policy”) is to outline by way of description and not as binding on the Committee, the overall structure of the investment program, the duties and responsibilities of the Committee, and the general policies and procedures under which the 403(b) Investment Committee (the “Committee”) operates. This Policy does not apply to investments purchased through the Self-Directed Window, an individual brokerage account.

Coordination with the Plan Document

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

Investment Policy Statement Review and Adherence

From time to time, the Committee will review this Policy to determine if it continues to reflect the Plan’s objectives and meets the needs of the Plan’s participants. The Committee retains authority to amend

the Policy as necessary to conform to the actual practices of the Committee or to reflect changes in the capital markets, participant objectives, or other factors relevant to the Plan. In addition, changes to this Policy are expected to be infrequent, as they will reflect long-term considerations, rather than short-term changes in the financial markets. The Committee may determine that it is prudent and in the best interest of Plan participants to take action (or refrain from taking action) that does not strictly adhere to this Policy.

University of Notre Dame 403(b) Investment Committee

The Committee is comprised of the following members:

- Vice President & Chief Investment Officer
- Managing Director & COO, Investment Office
- Vice President & General Counsel
- Vice President for Human Resources
- Associate Vice President & Controller
- Faculty Member (2)
- Director, Benefits & Wellness
- Benefits Program Manager

It is the intention of the Committee that the assets of the Plan shall be maintained in compliance with all applicable laws governing the operation of the Plan. Practices in this regard include, but are not limited to, the following:

1. The investment options offered to participants will be selected with the care, skill, and diligence that would be applied by a prudent person acting in a like capacity and knowledgeable in the investment of retirement funds
2. All transactions undertaken on behalf of the Plan shall be for the exclusive purposes of providing benefits to the Plan's participants and beneficiaries and defraying reasonable expenses of administering the Plan
3. Participants will be provided the opportunity to obtain sufficient information to make informed decisions with regard to the investment fund options available under the Plan.

The Committee is responsible for the selection and monitoring of the investment options and service providers of the Plan. The Committee may, but is not required, to use the services of an investment consultant ("Investment Consultant") and/or the services of The University of Notre Dame's staff ("Staff") to assist in carrying out its responsibilities.

Any Investment Consultant retained by the Committee will render its recommendations on policy regarding availability and oversight (monitoring) of the investment options. This includes but is not limited to, providing formal reviews of the performance of the investment options, conducting investment manager due-diligence, and assisting with investment manager searches and selection. The Investment Consultant will also aid the Committee in adhering to the guidelines of this Policy and making recommendations regarding changes should they need to be made. The Investment Consultant shall provide such additional services as may be appropriate subject to the terms of a written agreement between the University and the Investment Consultant.

Investment Objective

Participants are known to have different investment objectives based on multiple personal factors, including age, income, time horizon, risk tolerance, return and accumulation objectives, and assets outside of the Plan. Recognizing that individual needs will vary, the overall investment objective is to offer a sufficient range of investment options to allow participants to diversify their accounts and construct portfolios that reasonably span the risk/return spectrum.

While offering a variety of investment options is important, efforts will be made to limit the total number to a prudent level that balances the benefits of broad diversification with the disadvantages of too much choice. At a minimum, the Plan shall offer enough investment options so that participants can construct an investment program appropriate for their respective risk tolerances.

In that regard, the Plan shall be composed of at least one investment option from the investment categories listed in Exhibit A.

The types of investments may include active or passive options, low to high risk options, and specialized styles of investment management.

In addition, at participants' discretion, some of the participants' assets in the Plan may be invested in loans to themselves in accordance with the terms of the Plan.

The Committee is authorized to make changes to the structure - including the elimination, replacement, and/or addition of new investment fund options - as it deems necessary or advisable to maintain the best interests of the Plan and its participants.

Investment Options

The Committee acknowledges that fluctuating rates of return characterize the securities markets, particularly during short-term periods. Accordingly, the Committee views the interim fluctuations with an appropriate perspective.

On a periodic basis, but not less than annually, the Committee will evaluate the performance of the Plan's investment options on a net-of fee basis relative to (1) the return of an appropriate market index or indices and (2) the returns of a universe of comparable funds, where applicable, over a full market cycle (typically three to five years) or such other period determined by the Committee. In the case of pre-mixed investment options, performance objectives will be based upon a custom benchmark composed of weighted market indices.

Self-Directed Brokerage Accounts

In an effort to provide participants with maximum investment flexibility, a self-directed brokerage option may be offered in the Plan, allowing participants to invest in most mutual funds or other investment options as may be permitted under Code section 403(b). Participants selecting this option must sign an election form acknowledging that: (a) the participant understands and accepts any and all risks associated with this selection; (b) the participant understands and accepts that none of the investments available in the self-directed brokerage option have been reviewed for suitability by the Committee; (c) the participant is solely responsible for determining the suitability or appropriateness of any selected investment; and (d) the participant agrees to hold the Plan and the Committee harmless for any negative consequences they may incur as a result of using the self-directed brokerage option.

Qualified Default Investment Alternative

The Committee designates that Target Date Retirement Funds will be utilized as the Plans' qualified default investment alternative (QDIA) pursuant to regulations issued by the U.S. Department of Labor. Each fund is designed to provide varying degrees of long-term appreciation and capital preservation through a mix of equity and fixed income exposure based on a participant's age and target retirement date. The QDIA is the fund into which both the participant's mandatory contributions and the University's contributions are invested in the event the participant fails to submit an enrollment form and make an investment election.

Review of Investment Options

Investment Selection

Criteria will be established for each investment manager search undertaken by the Plan, and will be tailored to the Plan's specific needs. In general, the Committee will apply the following due diligence criteria when selecting an investment option:

- Each investment option should be a regulated bank, an insurance company, a mutual fund organization, or a registered investment advisor.

- The investment option’s inception date should be at least three years; a shorter track record may be used when the investment professionals of a new organization have a well-established and recognized track record at a previous organization.
- The portfolio manager should have a sufficient and appropriate asset base so that the Plan’s portfolio makes up no more than a reasonable percentage of an investment option’s total asset base.
- The investment option’s portfolio manager should have at least a two-year tenure, as well as a record of managing asset growth effectively, both in gaining and retaining clients. For any passively-managed (index) funds, manager tenure of at least two years is not a requirement.
- The investment option’s performance should be evaluated against appropriate index and peer group returns over a trailing three- and five-year cumulative period; past performance should not, however, be the primary basis for selecting investment managers.
- The investment option’s securities should be consistent with the stated investment discipline.
- The investment option should be available at a reasonable cost.

In rare cases, some of the above criteria can be waived as approved by the Committee if few investment products are available related to a specific search or if the Committee determines it appropriate to waive such criteria.

Investment Monitoring

The Committee will examine each investment option on a regular basis to ensure that the investment style and other relevant investment criteria are acceptable, given the purpose of each investment option. Investment options that do not meet the Committee’s expectations may be placed on watch.

The Committee may place an investment option on a “Watch List” and conduct a thorough review and analysis of the investment if and when (but not limited to) any of the following occurs:

- Material changes to investment philosophy and objectives;
- Substantial change in assets under management (track substantial changes in total assets);
- Underperformance relative to benchmarks and peer groups;
- Lack of adherence to the investment option’s stated investment discipline and style; and
- Stability of the organization and personnel turnover.

Investment options repeatedly or consistently “on watch” may be candidates for replacement.

Investment Termination

Unless contractually obligated, the Committee has the authority to remove or replace an investment option if, in the opinion of the Committee, the investment option does not, or is not expected to meet the specified criteria, or is no longer suited to the Plan and its participants. Grounds for termination may include, but are not limited to, the following:

- Failure to comply with stated guidelines;
- Significant deviation from the manager's stated investment philosophy and/or process;
- Loss of key personnel;
- Evidence of illegal or unethical behavior by the investment management firm;
- Loss of confidence by the Committee in the investment manager; or
- Failure to achieve performance objectives specified in the manager's guidelines over reasonable measurement periods.

Investment Mapping

Generally, when the Committee recommends terminating an investment option in the Plan, participants will be granted an opportunity to direct their assets to the Plan's remaining investment options prior to termination. If the Committee has the authority, assets that are not directed by participants will be transferred or "mapped" to an investment option(s) that the Committee deems appropriate.

Fee Structure

The impact of fees on the long-term performance of the investment options within the Plan shall be an important consideration. In addition to reviewing the performance of the Plan's investment options, the Committee will review, at least annually, all costs associated with the management of the Plan's investment program.

Participant Communication and Education

The Plan will communicate that participants are solely responsible for monitoring the return on their assets and moving assets to other available investment options as they deem necessary to minimize aggregate risk and maximize aggregate return on their investments. Communication materials, educational materials, enrollment assistance, and counseling sessions will be available to assist participants in making informed and educated choices.

ERISA 404(c)

The Plan is intended to comply under Section 404(c) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). To the extent plan contributions are invested as participants have directed, the plan fiduciaries are not responsible for losses that may result from following participant investment instructions.

Orig. Jan. 2011; Rev. Jan. 2012 to reflect plan consolidation name change; Rev. July 2013 to reflect a comprehensive review of the Plan’s investment structure expected to become effective January 1, 2015.

EXHIBIT A

INVESTMENT OPTION CATEGORIES

Passive Target Date Retirement Funds

Fixed Annuity

Total U.S. Bond Market Index Fund

Total U.S. Stock Market Index Fund

Total International Stock Market Index Fund

Total International Bond Market Index Fund

Global Bond Fund (Active)

Inflation-Protected Securities Bond Index Fund

U.S. Large Cap Stock Index Fund

U.S. Small/Mid Cap Stock Index Fund

Emerging Markets Stock Index Fund

Global Stock Fund (Active)

REIT Index Fund