

# Results vs. Process: Analyzing the Future Benefit of Common Investment Policy Statement Provisions

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*"However beautiful the strategy, you should occasionally look at the results."*

—Winston Churchill

Having a formal investment process is becoming increasingly popular in 401(k) plans. While this process can take a variety of forms, the process is usually codified in what's known as an investment policy statement, or IPS. According to the Department of Labor (DoL) Interpretive Bulletin 94-2, an IPS is defined as "a written statement that provides the fiduciaries who are responsible for plan investments with guidelines or general instructions concerning various types or categories of investment management decisions."

An IPS typically contains language covering a variety of investment issues, such as the types of investments the plan will offer, whether or not the plan will attempt to achieve statutory relief under 404(c), information on potential managed portfolio options, and criteria that can be followed to determine how to select and appropriately monitor plan investments.

## Executive Summary

- Formal investment processes are becoming increasingly popular, especially in 401(k) plans. This process is typically codified in an investment policy statement, or IPS.
- While following an IPS can provide the plan sponsor with some degree of legal protection, it is not clear whether doing so leads to better outcomes.
- This paper explores the actual benefit of following three common investment-monitoring criteria: underperforming the category median, the effect of a change in portfolio management, and style drift. Relative performance was tested by comparing performance over one-year, three-year, and five-year periods (or some combination of the three periods) to the category median. The findings suggest that if an IPS is going to have a performance replacement criterion, the Watch List should not be longer than two or three quarters.
- Style drift was analyzed by determining the potential benefit/cost from an investment that changes investment styles. Funds that exhibited drift actually slightly outperformed the no-drift group (by 15 bps).
- Manager change was assessed by exploring the relationship, if any, between manager tenure and performance. The results suggest that an investment should not be replaced simply because there is a new portfolio manager (or investment team). A low manager tenure should signal the need for additional due diligence on the respective investment.
- This paper finds few future performance benefits from following the three IPS criteria considered for this analysis.
- The author recommends that, rather than abandoning investment policy statements, planners try to understand how they can truly add value for clients and realize that a prudent process and better results can be two very different things.

While following a prudent process (that is, an IPS) can provide the plan sponsor with some degree of legal protection, there has been little research into whether common IPS provisions actually lead to better outcomes for the client.

In theory, "high quality" investments, or those investments that comply with common IPS provisions, will outperform "low quality" investments, or those that don't. However, little research has been conducted to determine the relative future

benefit of common investment monitoring criteria, such as underperforming the category median, the effect of a management change, or style drift. The purpose of this paper is to explore the actual benefits of common IPS criteria, from both a qualitative and quantitative perspective, to determine the future realized benefit of such criteria from a return (that is, eventual outcomes) perspective.

While this paper addresses common IPS criteria from a 401(k) perspective, it could just as easily apply to individual or institutional clients when providing financial planning or investment consulting services, as IPS criteria tend to be relatively common regardless of type of client. This piece takes a 401(k) perspective because a 401(k) must have a named fiduciary requirement under ERISA § 402(a), while no such fiduciary mandate exists when working with individual or institutional clients.

### To IPS or Not To IPS

There is some debate about whether a 401(k) plan should actually have a formal investment policy statement. While there is a formal plan document requirement (ERISA § 402(a)), there is no explicit requirement under ERISA that states a 401(k) plan (or really a profit sharing plan) should have an IPS. The author would contend, though, that there is clearly an implied requirement based on various Department of Labor (DoL) guidance, case law, and legal opinions. For example:

- DoL Interpretive Bulletin 94-2 states that “a written investment plan is ‘consistent’ with ERISA’s fiduciary duty requirements.”
- ERISA §404(a)(1)(B) requires that fiduciaries generally act “with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.”

While the concept of prudence will be addressed later, prudence and diligence are cornerstones of an IPS.

- In the *Liss v. Smith* [991 F.Supp. 278 (S.D.N.Y. 1998)] case, it was ruled that the failure to maintain a written investment policy constituted a breach of fiduciary duty under the facts of that case.
- In the *Harley v. Minnesota Mining & Mfg. Co.* [42 F.Supp.2d 898, 906 (D.Minn 1999)] case, it was found that, “Once the investment is made, a fiduciary has an ongoing duty to monitor investments with reasonable diligence and remove plan assets from an investment that is improper.”
- In the preamble to the final ERISA Section 404(c) regulations, the DoL explained, “In the case of look-through investment vehicles (for example, mutual funds), the plan fiduciary has a fiduciary obligation to prudently select such vehicles, has a residual obligation to periodically evaluate the performance of such vehicles to determine, based on that evaluation, whether the vehicles should continue to be available as participant investment options.”

There is one practical exemption regarding investment policy statements: having an IPS and not following it can be much more dangerous for a 401(k) plan oversight committee than not having an IPS. Mandating certain actions to be taken that are not going to be performed is “like giving a plaintiff’s attorney a road map to sue the plan sponsor” (quote from Sheldon Smith, ERISA attorney, from Session 19 at the WP&BC in San Francisco). For example, an oversight committee that meets only once a year should not have an IPS that mandates a quarterly review of the investments if these reviews (and subsequent action) are not going to take place.

### Prudent Investing

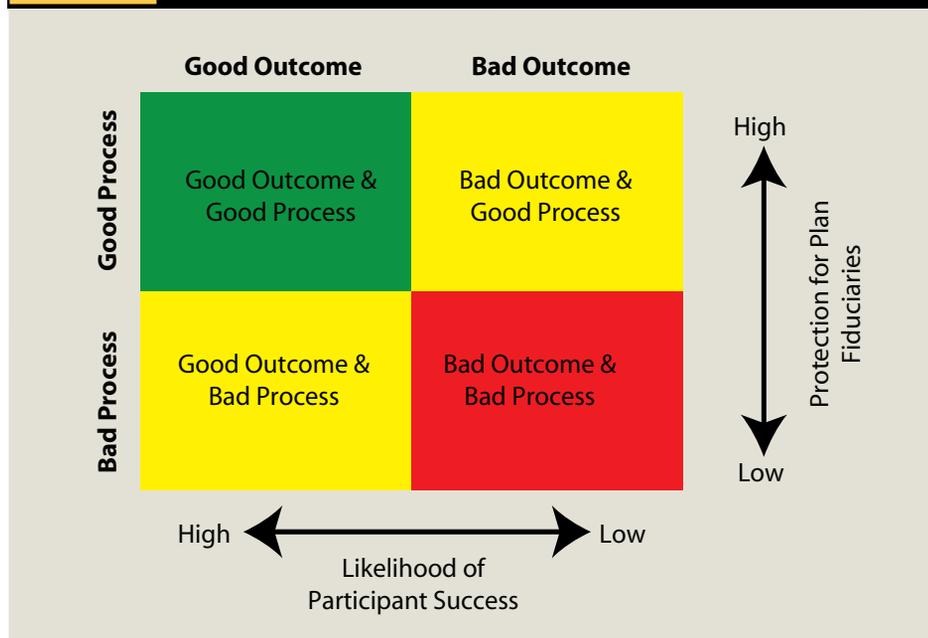
The concept of prudent investing can be traced back to the concept of the Prudent Man Rule, which was established in 1830 in the *Harvard College v. Amory* case. In this case, the Supreme Judicial Court of Massachusetts ruled:

All that is required of a trustee to invest is that he shall conduct himself faithfully and exercise sound discretion. He is to observe how men of prudence, discretion, and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of the capital to be invested.

“The purpose of this paper is to explore the actual benefits of common IPS criteria, from both a qualitative and quantitative perspective, to determine the future realized benefit of such criteria from a return (that is, eventual outcomes) perspective.”

Incorporating the concept that higher levels of risk are related to higher rates of return, the Prudent Man Rule was revised to incorporate modern investment theories with the Uniform Prudent Investor Act in 1994, which has become known as the Prudent Investor Rule. According to the American Law Institute, the general standard of prudent investment is “to invest and manage the funds of the trust as a prudent investor would, in light of the purposes, terms, distribution requirements, and other circumstances of the trust.”

While the Prudent Man Rule focused on maintaining corpus (or principal), the

**Figure 1: Outcomes and Process Matrix**

Prudent Investor Rule emphasizes the importance of diversification, minimizing fees, impartiality, delegation, and balancing the tradeoff between risk and return. For both rules, the focus is on process, whereby a decision is deemed prudent, regardless of the outcome, if the process used to make the decision is prudent.

### Results-Driven Investing

In his book *Security Analysis*, Benjamin Graham notes, “An investment operation is one which, upon thorough analysis, promises safety of principal and a satisfactory return. Operations not meeting these requirements are speculative.” More simply, investing is the *expectation* of a good outcome, while speculation is the *hope* of a good outcome. Good investing strategy is rooted in financial theory, while speculation draws largely on luck, which is often and easily confused with skill.

A Morningstar.com article titled “Picking the Right Funds Makes a Huge Difference” contained an interesting statement, “It’s not too hard to pick funds that will at least outperform their peers over the long haul.” While the author (Russel

Kinzel) noted the long-term importance of selecting low-cost investments (which has been proven to be a good starting point), there is little other information available to help the reader achieve this goal. Finding last year’s best money manager is relatively easy; however, finding next year’s money manager is a much more difficult endeavor.

Fred Reish, a noted ERISA attorney once said, “There is an important practical reason for having an IPS—an IPS is a part of a well thought out and executed investment strategy, which should, over the long haul, provide superior investment results for all of the participants, including corporate officers who serve as investment fiduciaries” (Reish 2002). Reish’s statement speaks to the potential double benefit of an IPS, protection for plan fiduciaries and improved outcome for plan participants, the concept of which is expanded on in Figure 1.

The ideal scenario for plan sponsors and plan participants is a good process (that is, good fiduciary oversight) and a good outcome (that is, a good rate of return). While a good plan consultant can help ensure that a plan has a prudent

process, the ability to obtain a good outcome is much less certain. This begs the question: Which is better, a bad outcome with a good process or a good outcome with a bad process? The answer depends largely on your perspective. If you’re a participant, your primary concern is likely having funds that are going to perform well, and the process of selecting and monitoring the investments is often of little importance and rarely understood at the individual participant level (especially for larger plans). If you’re a plan sponsor concerned about being sued, process is likely your primary concern. However, achieving good returns is typically good protection from getting sued for poor performance (although fee transparency is a different issue entirely). Process for the sake of process, though, does nothing to guarantee a positive outcome.

Medicine provides an interesting anecdote relative to the potential benefits of an IPS. A doctor will only prescribe a patient a medicine if he or she expects the medicine to benefit the patient and only after the medicine has been rigorously tested to ensure its benefits are substantive. Both parts of this process are very important. A medicine is only going to be available once it has been proven to cure what it claims to do. When it comes to investment management, though, we commonly diagnose our patients (that is, clients) and prescribe a medicine (that is, a mutual fund), without knowing whether or not our solution is going to actually add value for our clients based on an objective, quantifiable criterion.

Replacing a manager who has recently underperformed with one who has outperformed may be considered diligent from a process perspective, but what is the actual realized value of such an activity? Research has consistently shown that the majority of active managers do not tend to outperform a respective passive strategy, especially over longer periods. By extension, then, in the absence of a proven, documented, quantitatively verified process that can be used to select an

active manager to outperform *in the future*, it would seem difficult to suggest implementing an active strategy over a passive (that is, index) strategy. I do *not* contend there is no benefit in active management; instead, I'm saying that, to employ an active management strategy for clients, someone would need a method that has proven to add value ex-post (that is, out-of-sample).

## Analysis

While there are a variety of tests that could be performed to document the potential benefit of common IPS monitoring criteria, three tests were selected based primarily on the experience of the author:

1. **Relative Performance:** Comparing performance over one-year, three-year, and five-year periods (or some combination of the three periods) to the category median.
2. **Style Drift:** Determining the potential benefit/cost from an investment that changes investment styles.
3. **Manager Change:** Seeing if there is any relationship between manager tenure and subsequent performance.

While the underlying data sets and the methodologies differed slightly for the three different tests, there were overlaps in the data sets. The primary data set was retrieved from 10 separate year-end Morningstar CDs over the 10-year period from 1997 to 2006 (that is, Morningstar Ascent for 1997, Morningstar Principia Pro Plus for the years 1998–2001, and Morningstar Principia for the years 2002–2006). These year-end periods provided the snapshot periods for test purposes, where each data set was independent of the other (minimizing lookback bias and survivorship bias). Additional data were also obtained from a variety of sources, including Callan, Morningstar, and S&P.

Only those funds categorized by Morningstar in the nine domestic style boxes (Large Growth, Large Blend, Large Value, Mid-Cap Growth, Mid-Cap Blend, Mid-Cap Value, Small Growth, Small Blend,

and Small Value) were considered for the analysis. Funds had to have the same Morningstar category and Morningstar style to be included. Only domestic equity mutual funds that were not classified by Morningstar as index funds, enhanced index funds, or ETFs were included, as actively managed funds were included in the test set.

The mutual funds tested were limited to one share class per fund to ensure that those funds with multiple share classes were not overweighted relative to funds with fewer share classes. The share class with the lowest expense ratio and complete information for the period was used as the proxy for each fund, as it is assumed to be the most efficient share class available (typically, this was the institutional share class, which tended also to have larger minimums than A, B, C, Investor, or Retirement share classes). The benchmark for each category for each period was the category median return for the respective style.

Because investment style is an important consideration when determining relative outperformance, investments were compared only against other investments within the same category for the period. The results for each category were combined on a weighted basis with each of the other categories. The weightings were based on the number of funds in each subgroup. For example, if there were 10 Large Growth funds, 5 Large Blend funds, and 5 Large Value funds in the Large Cap Equity category, Large Growth would represent 50 percent of the Large Cap total, while Large Blend and Large Value would each represent 25 percent of the Large Cap total. The results would then be combined on a weighted basis with the Mid-Cap and Small-Cap categories. The test population of funds for each of the categories for each of the year-end periods is included in Appendix 1.

The information on the relative percentage of each category as a percent of the total funds for each of the years is included to give the reader an indication of the relative weight of each category. Because certain categories (such as Large Growth) tended to have more funds than other categories (such as Mid-Cap Value) they had a greater effect on the results. The fundamental assumption of the weighting methodology is that there is more information when analyzing more funds versus fewer funds. Taking a simple average within each category for each year would ignore the fact that, for some of the periods, there are more than five times the

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number of funds in one category versus another. Note, though, the aggregate results from each of the annual test periods are averaged on an equal-weighted basis, regardless of the relative number of funds in each period.

While intra-calendar year data were used for some of the tests (for example, the performance test), each test population is based on the funds at the end of the calendar year. This approach minimized certain biases that would have been prevalent had a single “lookback” period (for example, December 31, 2006) been used (such as survivorship bias). The future performance for each of the funds over the following year is compared against the median return for the funds in that category for the period. As a note,

**Table 1: Performance Below Median As a Replacement Metric**

		Average Outperformance of Failed Fund One Year Following Failure									
		Test Period Criteria Time Period									
Consecutive Quarters Below Category Median		1 Year	3 Year	5 Year	1 Year & 3 Year	1 Year & 5 Year	3 Year & 5 Year	1 of 3 Periods	2 of 3 Periods	3 of 3 Periods	Average
	1Q	-0.97%	0.36%	-0.49%	-0.17%	-0.71%	-0.14%	-0.51%	-0.03%	-0.13%	-0.31%
	2Q	0.94%	-0.29%	-0.78%	0.30%	0.35%	-0.47%	1.00%	-0.10%	-0.40%	0.06%
	3Q	0.58%	0.41%	0.14%	0.04%	1.07%	-0.22%	0.54%	-0.07%	0.20%	0.30%
	4Q	0.66%	-0.16%	2.19%	0.16%	0.43%	0.56%	0.46%	-0.11%	0.06%	0.47%
		Probability of Failed Fund Outperforming Category Median One Year Following Failure									
		Test Period Criteria Time Period									
Consecutive Quarters Below Category Median		1 Year	3 Year	5 Year	1 Year & 3 Year	1 Year & 5 Year	3 Year & 5 Year	1 of 3 Periods	2 of 3 Periods	3 of 3 Periods	Average
	1Q	45.79%	52.20%	50.22%	47.74%	45.09%	48.94%	48.54%	51.34%	50.00%	48.87%
	2Q	53.50%	47.39%	43.80%	50.28%	50.62%	47.85%	54.19%	47.04%	46.50%	49.02%
	3Q	52.22%	52.35%	49.40%	50.77%	57.23%	48.89%	51.36%	50.40%	51.38%	51.55%
	4Q	55.14%	47.62%	55.81%	47.16%	50.68%	49.62%	52.85%	46.63%	46.88%	50.26%

tests of statistical significance were not performed since the data set represents the entire population of available mutual funds (that is, this is not a sample).

### Relative Performance Analysis

The most common monitoring criterion for plan investments is performance. While other criteria, such as manager tenure and style drift, will be discussed later in the paper, relative underperformance is the most common reason for replacing a fund (at least based on the author's experience). The reasons for replacing a poorly performing fund are relatively straightforward; it is assumed that an underperforming fund will continue to underperform and should be replaced with a fund that has outperformed (which is hoped/expected will continue to outperform). The investments themselves are usually compared to the performance of their peers in the same investment category or style. For example, a domestic equity Small Value mutual fund would be compared against the domestic equity Small Value mutual fund universe to determine its relative performance.

For the analysis, the relative performance of a fund is compared against its peer universe over one-year, three-year, and

five-year periods, for various lookback periods. These three periods were selected because they are the most common comparison periods used in IPSs.

It is common that when an investment underperforms its peers, it is placed on the "Watch List" for a fixed period before the fund is replaced. To replicate this process, a number of Watch List periods and conditions were tested. To be included in the performance analysis, a fund had to have its performance for the select period fall below the category median for either one quarter (1Q), two consecutive quarters (2Q), three consecutive quarters (3Q), or four consecutive quarters (4Q). Note, those funds included in the 2Q group were not also included/considered in the 1Q group. The 4Q group was determined first, the 3Q group second, the 2Q group third, and the 1Q group last, to ensure that there was no overlap between the test sets.

To clarify this approach: if, as of the year-end test period, a fund had underperformed the one-year category median for only the last quarter (which would be the fourth calendar quarter), it would be on the Watch List for only one quarter. If it had underperformed the category median for the previous two quarters (which would be the third and fourth calendar quarters),

it would be on the Watch List for two quarters. A fund would only be on the respective Watch Lists based on the longest period of category median underperformance. There were nine different combination periods tested: one-year, three-year, five-year, one-year & three-year, one-year & five-year, three-year & five-year, one period, two periods, and three periods. These combinations correspond to the period in which the fund violates the respective IPS criteria. For example, a fund included in the one-year & five-year test set would be one whose performance fell below the category median for each of those two periods for either one quarter (1Q), two consecutive quarters (2Q), three consecutive quarters (3Q), or four consecutive quarters (4Q).

Two different relative performance tests were conducted, and both were based on the performance of the fund against its respective category benchmark for the following year. The first test was based on the raw outperformance of each fund, where the performance of the fund is compared against the median fund performance for the category. The performance for each group is then averaged across all categories (that is, an equal-weighted approach). The second test determined what percentage of

funds in a following group outperformed the category median over the following year. The results are included in Table 1.

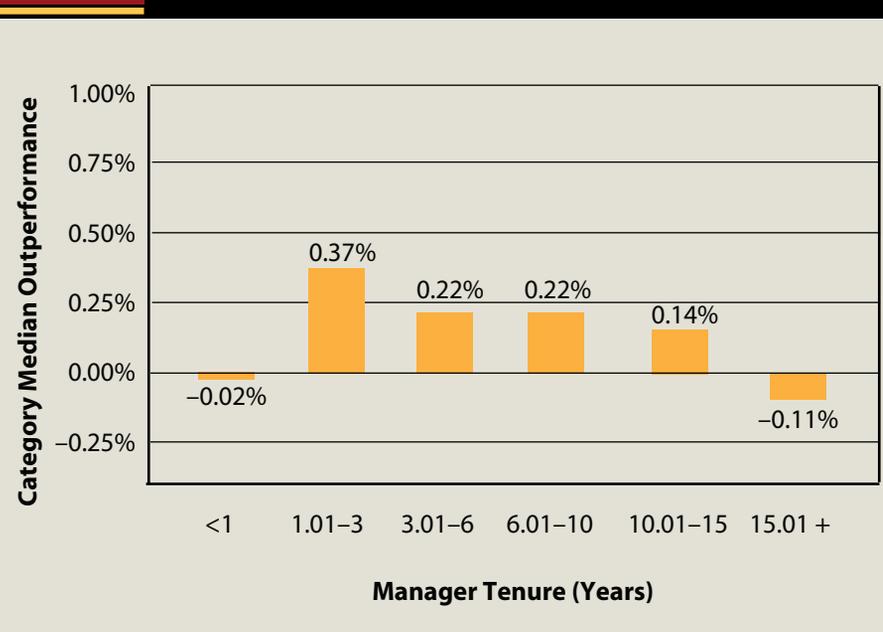
As the reader can see from Table 1, the results varied considerably across scenarios and the results contained quite a bit of “noise” (randomness). While there are numerous possible reasons for the noise, I believe the primary reason was the limited number of funds available during each period that met each precise criterion. For example, while there were 1,704 funds in the 2006 test set, only 37 failed for the one-year & five-year period for two consecutive quarters.

While the individual period results were “noisy” there was a clear trend obtained by averaging results from each of the test periods. When the average Watch List period is considered, there is a clear pattern in which the longer a fund appears on the Watch List, the more likely it is to outperform its peers in the future. While this may surprise the reader that a fund that has underperformed for four consecutive quarters would end up outperforming the following year, this is likely a result of mean reversion. While momentum is certainly an important consideration of mutual fund performance, something that has been noted by Carhart (1997), eventually even underperforming funds tend to bounce back (note the performance for the five-year test set). This may help explain the “pain” felt by plan sponsors who replace a plan investment only to see the replacement underperform the fund that was replaced. The general findings from this section suggest that if an IPS is going to have performance replacement criteria, the Watch List should not be longer than two or three quarters.

### Manager Tenure Analysis

The stability of the management structure for an investment is a common consideration in most investment policy statements. A change in the management structure could signal a change in investment philosophy or oversight and necessitate replacement. Funds that have a manager change are commonly placed on

**Figure 2: Manager Tenure As a Replacement Metric**



the Watch List to determine whether or not a replacement is necessary.

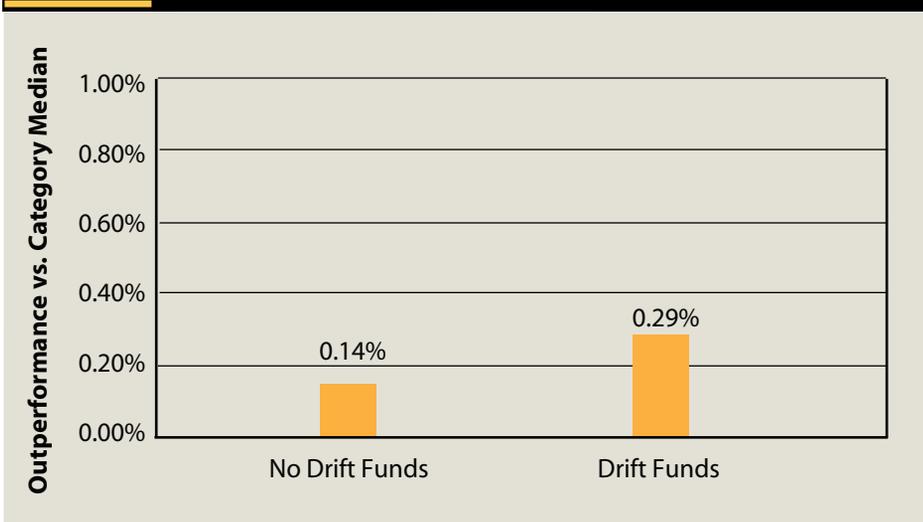
Because of data availability, the time considered for the manager tenure analysis was reduced to six years (2001 to 2006). Manager tenure figures were obtained from Morningstar. Because Morningstar’s manager tenure figures are based on the average tenure for each of the managers, the manager tenure analysis was done by segmenting funds into different groups based on the manager tenure of the fund. This was done, as opposed to considering just those funds with manager tenures less than a short period (for example, two years), because it’s possible that if a fund is team managed and part of the team leaves, that the manager tenure is greater than one year, despite the fact that there may be significant change in personnel. Segmenting the funds in groups should also provide a greater deal of information to the reader in terms of the expected return of funds with varying manager tenures.

Each fund was segmented into one of six groups based on manager tenure: less than or equal to 1 year, between 1.01 and 3 years, between 3.01 and 6 years, between 6.01 and 10 years, between 10.01 and 15 years, and greater than 15.01 years. The results of these

tests are included in Figure 2.

While funds with a manager change had a slight underperformance (2 bps, basically a push), those funds with the longest manager tenure (15.01+ years) actually had the worst performance over the following year (11 bps below category median) among the six test groups. The fact that the aggregate outperformance for the six groups was positive suggests that the distribution of manager returns is positively skewed, because more funds were greater than the category median than below it.

The probability of outperforming the category median, based on manager tenure, exactly mirrors the outperformance data on a relative basis, with managers with tenures of greater than 15 years having the lowest probability of outperforming the category median (at 46.80 percent) and managers with tenures between one and three years having the highest probability of outperforming the category median (at 51.33 percent). The results of this test suggest that an investment should not be replaced simply because there is a new portfolio manager (or investment team). A low manager tenure should not signal a replacement, but the need for additional due diligence on the respective investment.

**Figure 3: Style Drift As a Replacement Metric**

### Style Drift Analysis

Investing in funds that are “style pure” is also a common part of an IPS. An IPS may require a plan to have investments available in certain categories (for example, domestic Small Value or foreign Large Blend), which would necessitate a replacement if a fund drifts into a different category leaving a void.

What effect does style drift have on outperformance? Brown and Harlow (2002) note three theoretical reasons why style consistency should lead to superior returns. First, style-consistent investments are likely to generate less turnover and therefore have lower transaction costs that are likely to reduce returns (see for example, Blanchett (2007) or Kasten (2007)). Second, style-consistent investments are less likely to make tactical asset allocation errors when trying to time the market. And third, because better managers will want to be evaluated more precisely, they can signal their superior skill to potential investors by maintaining a more style-consistent portfolio.

An analysis was conducted based on the same data set as the manager tenure test (six annual periods from 2001 to 2006) to determine the effect of style drift on rela-

tive outperformance. The fund population for each category for each period was segmented into two groups: “drift” and “no drift.” Funds defined as drift were those funds for which the Morningstar category changed the previous quarter, while the no drift funds were those that had the same category for the previous quarter and the test quarter. The performance for each

“The analysis conducted for this paper suggests that common replacement provisions in investment policy statements do not necessarily add value ex-post from an outperformance perspective.”

fund is compared against the performance of its respective category median one year following the test period. The results of this test are included in Figure 3.

Those funds that exhibited drift actually slightly outperformed the no drift group (by 15 bps). The reason both groups had a positive outperformance is because the underlying average performance numbers are compared against the category median,

which is consistent with the previous two tests. This suggests the distribution is positively skewed. As a note, these results differed from the results of the Brown and Harlow (2002) study, which found that those investments with higher levels of style consistency tended to outperform those investments with lower levels of style consistency. However, there are significant differences between this test and the test performed by Brown and Harlow.

### The Real Drivers of Participant Success

All too often, plan sponsors and their advisers spend too much time focusing on whether Fund ABC needs to be replaced for some reason and ignore the most important question: Will my participants be able to retire successfully? While quality investment alternatives are important for plan success, improving asset allocations and savings rates would benefit participants much more. Mottola and Utkus (2007) reviewed the allocations of approximately 2.9 million participants at Vanguard and found that only 43 percent of participants had “green” portfolios with balanced exposure to diversified equities, while 26 percent of participants had “yellow” portfolios with possibly too-aggressive or too-conservative equity, and 31 percent of participants had “red” portfolios with either no equities or a high concentration of employer stock.

How does one improve savings rates? Implement automatic enrollment and progressive savings. Consider a complete plan reenrollment in which each participant is automatically reenrolled in the plan unless he or she opts out (this is a great way to “scoop up” participants who have been in the plan for a long time with low savings rates). How does one improve asset allocations? Adopt managed investment options, such as risk-based portfolios, target-date funds, or managed account platforms in which allocation decisions are made by professional investors instead of participants.

These types of investments are becoming increasingly popular in 401(k)s thanks to the qualified default investment alternative (QDIA) regulations and the Pension Protection Act.

## Conclusion

The goal of any investment strategy should be to produce a positive outcome for an investor. While following a prudent process clearly has certain legal benefits (especially for a financial adviser and the plan oversight committee), the analysis conducted for this paper suggests that common replacement provisions in investment policy statements do not necessarily add value ex-post from an outperformance perspective.

Despite the overall findings, the author is not recommending that investment professionals abandon investment policy statements—rather, that they spend time trying to understand how they can truly add value for clients. This research suggests a sim-

plistic approach to fund monitoring may in fact generate negative value (that is, hurt clients), and that a passive strategy may be more suitable for investment professionals who are unable to quantify the actual benefit of their investment process.

The research conducted for this paper raises two distinct issues worth additional consideration: first, which IPS provisions can, in fact, add value for investors, and second, how prudent is a process if it doesn't actually add value?



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## Appendix 1: Test Population of Mutual Funds Included in the Analysis

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Large Growth	48	104	126	218	267	382	389	391	396	392
Large Blend	95	97	61	206	277	326	315	321	281	294
Large Value	82	99	142	194	256	251	266	276	263	268
Mid-Cap Growth	22	64	86	143	187	213	221	222	223	213
Mid-Cap Blend	23	30	16	22	42	71	74	63	78	75
Mid-Cap Value	32	45	61	61	67	54	64	62	58	63
Small Growth	9	63	97	131	170	224	211	210	197	214
Small Blend	4	24	26	38	55	86	86	89	90	108
Small Value	41	43	65	67	59	55	57	76	71	79
<b>Total</b>	<b>356</b>	<b>569</b>	<b>680</b>	<b>1,080</b>	<b>1,380</b>	<b>1,662</b>	<b>1,683</b>	<b>1,710</b>	<b>1,657</b>	<b>1,706</b>
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Large Growth	13.48%	18.28%	18.53%	20.19%	19.35%	22.98%	23.11%	22.87%	23.90%	22.98%
Large Blend	26.69%	17.05%	8.97%	19.07%	20.07%	19.61%	18.72%	18.77%	16.96%	17.23%
Large Value	23.03%	17.40%	20.88%	17.96%	18.55%	15.10%	15.81%	16.14%	15.87%	15.71%
Mid-Cap Growth	6.18%	11.25%	12.65%	13.24%	13.55%	12.82%	13.13%	12.98%	13.46%	12.49%
Mid-Cap Blend	6.46%	5.27%	2.35%	2.04%	3.04%	4.27%	4.40%	3.68%	4.71%	4.40%
Mid-Cap Value	8.99%	7.91%	8.97%	5.65%	4.86%	3.25%	3.80%	3.63%	3.50%	3.69%
Small Growth	2.53%	11.07%	14.26%	12.13%	12.32%	13.48%	12.54%	12.28%	11.89%	12.54%
Small Blend	1.12%	4.22%	3.82%	3.52%	3.99%	5.17%	5.11%	5.20%	5.43%	6.33%
Small Value	11.52%	7.56%	9.56%	6.20%	4.28%	3.31%	3.39%	4.44%	4.28%	4.63%
<b>Total</b>	<b>100.00%</b>									