Practice S-2.4

Selected asset classes are consistent with the risk, return, and time horizon.

The Investment Steward's role is to choose the appropriate combination of asset classes that optimize the identified risk and return objectives, and is consistent with the portfolio's time horizon.

The acronym "TREAT" helps to define the key inputs to an asset allocation strategy.

Asset Allocation Variables

- **T** Time Horizon
- **R** Risk Tolerance
- **E** Expected Return
- **A** Asset Class Preference
- **T** Tax Status

Substantiation

Employee Retirement Income Security Act of 1974 [ERISA]

§404(a)(1)(B)

Regulations
29 C.F.R. §2550.404a-1; 29 C.F.R. §2550.404a-1(b)(1)(A); 29 C.F.R. §2550.404a-1(b)(2)(B)(i-iii)

Case Law
GIW Industries, Inc. v. Trevor, Stewart, Burton & Jacobsen, Inc., 895 F.2d 729 (11th Cir. 1990); *Leigh v. Engle*, 858 F.2d 361 (7th Cir. 1988)

Other
Interpretive Bulletin 96-1, 29 C.F.R. §2509.96-1

Uniform Prudent Investor Act [UPIA]

§2(b)

Uniform Prudent Management of Institutional Funds Act [UPMIFA]

§3

Management of Public Employee Retirement Systems Act [MPERS]

§8(b)

Criteria

2.4.1 Assets are appropriately diversified to conform to the specified time horizon and risk/return profile.

2.4.2 For participant directed plans, selected asset classes provide each participant the ability to diversify their portfolio appropriately given their time horizon and risk/return profile.

2.4.3 The methodology and tools used to establish appropriate portfolio diversification are effective and consistently applied.