

No. 25-498

In the Supreme Court of the United States

WINSTON R. ANDERSON, et al.,
Petitioners,

v.

INTEL CORPORATION INVESTMENT POLICY COMMITTEE,
et al.,
Respondents.

On Writ of Certiorari to the
United States Court of Appeals for the Ninth Circuit

JOINT APPENDIX VOLUME II OF III

MATTHEW W.H. WESSLER	LISA S. BLATT
GUPTA WESSLER LLP	WILLIAMS & CONNOLLY
2001 K Street, NW	LLP
Suite 850 North	680 Maine Avenue SW
Washington, DC 20006	Washington, DC 20024
(202) 888-1741	(202) 434-5050
<i>matt@guptawessler.com</i>	<i>lblatt@wc.com</i>

*Counsel of Record for the
Petitioners*

*Counsel of Record for the
Respondents*

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EXHIBIT 2

2015 Summary Plan Description

Intel 401(k) Savings Plan
Intel Retirement Contribution Plan
Intel Minimum Pension Plan

January 2015

The information contain herein has been provided by Intel Corporation and is solely the responsibility of Intel Corporation. The information in this SPD is also available in Chapter 18 of the 2015 Pay, Stock and Benefits Handbook.

Chapter 18

Retirement Programs

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Chapter 18

Retirement Programs

This chapter provides the Summary Plan Description (SPD) for the Retirement Plans offered through the Intel 401(k) Savings Plan, Intel Retirement Contribution Plan, and Intel Minimum Pension Plan.

18.1 Intel Retirement Plans

- 18.1.1 Summary Plan Description
- 18.1.2 Intel Retirement Plans (IRP)
- 18.1.3 Plan Eligibility

18.1.1 Summary Plan Description

This Summary Plan Description (SPD) contains valuable information about when you are eligible to participate in the Intel U.S. retirement plans, your plan benefits, your distribution options and many other features of the Plans. You should take the time to read this SPD to get a better understanding of your rights and obligations in the Plans.

This SPD describes the Intel 401(k) Savings Plan, Intel Retirement Contribution Plan, and Intel Minimum Pension Plan (collectively, the “Plans”) benefits and obligations as contained in the Plan Documents, which govern the operation of the Plans. If the language in this SPD and the Plan Documents conflict, the Plan Documents always govern.

This SPD describes the current provisions of the Plans which are designed to comply with applicable legal requirements. The Plans are subject to federal laws, such as ERISA (Employee Retirement Income Security Act), the Internal Revenue Code, and other federal and state laws which may affect your rights. The provisions of the Plans are subject to revision due to a change in laws or due to pronouncements by the Internal Revenue Service (IRS) or Department of Labor (DOL). Intel may also amend or terminate these Plans at any time at its discretion. If the provisions of the Plans that are described in this SPD change, you will be notified.

18.1.2 Intel Retirement Plans

The Intel Retirement Plans (IRP) is comprised of three plans:

- Intel 401(k) Savings Plan (“401(k) Savings Plan”)
- Intel Retirement Contribution Plan (“Retirement Contribution Plan”)
- Intel Minimum Pension Plan (“Minimum Pension Plan”)

These Plans have been designed to be a partnership between you and Intel, with each playing an important role in enabling you to save and prepare for your future retirement. Intel’s retirement benefits add to Social Security and your income from other sources to help you attain your retirement goals.

18.1.3 Plan Eligibility

In general, you are eligible to participate in the Plans provided you are:

- Employed by Intel or a participating Intel subsidiary as a U.S. employee (includes those U.S. employees on expatriate assignments)
- Not a member of a collective bargaining unit
- Not a college intern or summer intern status employee
- Not an international service employee (inpatriate)
- Not otherwise excluded (persons not classified by Intel as employees are excluded, whether or not they are or may be common law employees of Intel)

Refer to the specific retirement plan sections for additional eligibility and/or service requirements for each Plan. The Plans are available to eligible employees of Intel Corporation and its subsidiaries that have been designated to be a Participating Company. The following subsidiaries are Participating Companies: Intel International, Intel Massachusetts, Inc., Intel Europe Companies, Intel Americas, Inc., Intel Resale Corp., Intel Federal LLC, and Intel Mobile Communications North America Inc.

Not all employees who meet the above eligibility rules may participate in some of the Plans.

18.2 401(k) Savings Plan

Topics

18.2.1 401(k) Savings Plan Overview

18.2.2 Eligibility and Participation

18.2.3 Enrolling in the 401(k) Savings Plan

18.2.4 Contributions

18.2.5 Vesting in the 401(k) Savings Plan

18.2.6 Rollovers and Transfers from Other Plans

18.2.7 Investment Options

18.2.1 401(k) Savings Plan Overview

The 401(k) Savings Plan is an optional savings tool that allows you to defer a portion of your eligible pay for retirement. Your participation in the 401(k) Savings Plan is crucial to saving for an adequate retirement. The earlier you make a commitment to your retirement savings, the greater benefit you will derive from your 401(k) Savings Plan account. For employees hired on or after January 1, 2011 the 401(k) Savings Plan account includes Intel's discretionary retirement contributions.

18.2.2 Eligibility and Participation

All regular U.S. employees employed by Intel or a participating Intel subsidiary, including those on expatriate assignments outside the U.S., may participate in the 401(k) Savings Plan.

You are not eligible to participate if you are:

- A member of a collective bargaining unit
- A college intern or summer intern status employee
- An international service employee (inpatriate)
- Otherwise excluded—that is, not classified by Intel as an employee

18.2.3 Enrolling in the 401(k) Savings Plan

You may enroll at any time on or after the date that you are eligible to participate. When you enroll, your payroll contributions to the 401(k) Savings Plan will commence as soon as is administratively feasible, generally within one to two pay periods. You are not required to enroll in order to receive Intel's discretionary retirement contributions into the 401(k) Savings Plan or the Retirement Contribution Plan benefit. See

“Retirement Contribution Plan” in this chapter for more information about eligibility in the Intel Retirement Contribution Plan.

Auto Enrollment Feature

Employees hired on or after January 1, 2011 will be automatically enrolled in the 401(k) Savings Plan as follows:

Hire Date	Auto Enroll	Contribution % of regular pay	Investment Fund	Change contribution rate	Change investment options	Opt-out option
On or after 1/1/13	45 days after hire	6% effective within 1-2 pay periods from enrollment date	Target Date Fund based on age and assumed retirement age of 65	Yes	Yes	Yes
On or after 1/1/11 and before 1/1/13	45 days after hire	3% effective within 1-2 pay periods from enrollment date	Target Date Fund based on age and assumed retirement age of 65	Yes	Yes	Yes

If you do not wish to contribute to the 401(k) Savings Plan, you can change your contribution rate to 0% at any time.. See “Resources” in this chapter for online and phone enrollment tools.

18.2.4 Contributions

There are different methods of contributing to the 401(k) Savings Plan. You may start, change, or stop your contributions at any time. Allow one to two pay periods for the changes to become effective. See “Resources” in this chapter for online tools and phone numbers.

- **Pre-tax contributions**

Pre-tax contributions are deducted from your eligible pay before income taxes are taken out. Pre-tax contributions can lower the amount of current income taxes you pay each pay period. You pay no taxes on pre-tax contributions and earnings until your account is distributed.

- **Roth 401(k) (after-tax) contributions**

Roth 401(k) contributions are made on an after-tax basis and deducted from your eligible pay after income taxes are taken out. Your take home pay will be less because income taxes must be withheld and paid on your Roth 401(k) contributions. Earnings accumulate on your Roth 401(k) contributions and are distributed federal income tax free if the distribution is a qualified distribution. (Note: Roth 401(k) contributions are made to your Intel 401(k) Savings Plan account, Roth 401(k) is not a separate Plan from the 401(k) Savings Plan.)

For additional information, see “Federal Income Tax Considerations” in this chapter

Example of pre-tax and Roth 401(k) contributions:

Assume that you earn \$75,000 annually, or \$3,125 semi-monthly, and elect to contribute 8% on a pre-tax and Roth 401(k) basis. The following table illustrates the difference in take home pay between pre-tax and Roth 401(k) contributions. This hypothetical example is based solely on Federal income tax rate of 25%. No other payroll deductions are taken into account.

Example		Pre-tax Contribution	Roth 401(k) (after-tax)
a)	Semi-monthly Income	\$3,125	\$3,125
b)	Pre-Tax Contribution @ 8%	\$250	
c)	Federal Income Taxes @ 25%	\$718.75	\$781.25
d)	After-Tax Contribution @ 8%		\$250
e)	Take Home Pay (a-b-c-d)	\$2,156.25	\$2,093.75

You should consult the advice of a tax advisor to determine if pre-tax or Roth 401(k) contributions are best for you.

Note: Eligible participants who are residents of Puerto Rico are not eligible to defer contributions to the Roth 401(k) source under current tax laws.

Contribution elections

You may make a separate pre-tax and/or Roth 401(k) contribution election for each of the following eligible pay types:

- Regular pay (base pay, overtime, geographic salary differentials and shift premiums)
- Bonus (APB, QPB, ICAP and EOIP) and commission pay

Vacation and personal absence cash-out pay (non-exempt employees) and sabbatical cash-out (CA only). This does not apply to regular vacation pay

Contribution percentage limits

You may contribute from 1% up to a 50% maximum (in whole percentages) for each of the eligible pay types on a pre-tax and/or Roth 401(k) basis. Contributions are made through automatic payroll deductions. The combined total of all your contribution elections are capped at the IRS annual dollar limit. When you reach the maximum allowable contribution amount in a given year, payroll deductions will cease for that year.

Note: When the Bonus/Commission and Vacation/Personal Absence cash-out contribution election options were added to the Plan in July 2011, they reflected your current contribution percentage elections you had on file with Fidelity for your regular pay and will remain in effect until you change your contribution elections.

IRS annual contribution limit

The IRS contribution limit is \$18,000 for 2015.

Each calendar year, the total combined amount of pre-tax and/or Roth 401(k) contributions made by you to the 401(k) Savings Plan, and any other 401(k) Plan in which you participated, cannot exceed the annual IRS limit.

In your first year of employment with Intel, it is your responsibility to monitor your combined year-to-date contributions for all 401(k) Plans in which you participated to ensure you do not exceed the annual IRS limit. Before your combined annual 401(k) contributions reach the annual IRS limit, you will need to reduce your 401(k) Savings Plan contribution percentage to zero for the remainder of the year. Your contribution percentage is not

automatically restarted in the new calendar year. You will need to elect to restart your contributions.

- You can determine your Intel year-to-date contributions by reviewing the detail of your paycheck and summing the total of your contributions from each paystub. Please see “My Paystub Dictionary of Terms” under the related links within your paycheck or see “Resources” in this chapter for the paycheck deduction codes
- If your combined contributions exceed the annual IRS limit, you will need to request a refund from either your prior employer’s plan or the 401(k) Savings Plan. The deadline to request a refund from the 401(k) Savings Plan is March 1 for contributions made in the previous year. Refunds from the 401(k) Savings Plan should be requested through the Fidelity Service Center. You are required to provide copies of all W-2s (including Intel) for the year you are requesting to be refunded. If you fail to request a refund of the excess contribution, you may be taxed a second time when the excess amount is ultimately distributed from the 401(k) Savings Plan
- If you joined Intel as a result of a Mergers and Acquisitions (M&A) action, please confirm with your Intel Human Resources representative that Intel U.S. Payroll is monitoring the IRS limit for you

After your first year, contributions to the 401(k) Savings Plan are monitored, and if necessary stopped, by Intel U.S. Payroll.

Military Leave make-up contributions

If you are reinstated to an active/eligible status under the provisions of the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), you may make additional contributions to the 401(k) Savings Plan upon return from a qualified military service leave. The military leave make-up contributions are subject to the IRS annual dollar limits that would have been in place had you remained actively employed during the period of covered military service. These make-up contributions may be made over a period of five (5) years from the date you return from military leave, or three times the length of qualified military service, whichever is shorter. Make-up contributions must be made through payroll deductions from your eligible pay. Any make-up contribution percentage you elect will be taken from your paycheck in addition to any existing payroll deductions.

If you are eligible to receive the discretionary Intel retirement contribution to your Intel 401(k) Savings Plan account, you will receive a retirement contribution based on any eligible compensation paid to you during your military leave (such as eligible bonuses or military adjustment pay) as well as on the eligible compensation you would have received had you not entered military service. The retirement contribution will be made to your Plan account at the annual cycle, typically late January/early February, even if you are on a qualified military leave at the time the annual contribution is made.

Annual Increase Program

The Annual Increase Program (AIP) allows you to automatically increase your pre-tax contributions each year. You may elect an annual (whole) percentage increase from 1% to 3% and designate the date on which the

increase would take effect. Your contributions will automatically increase each year by the percentage you elected on the closest payroll cycle date until your contribution percentage reaches 50%. You may change or stop the AIP election at any time. AIP is not available for Roth 401(k) contributions.

Employees hired on or after January 1, 2011 and are auto enrolled in the 401(k) Savings Plan are also enrolled in the AIP as follows:

Hire Date	Auto Enroll	Annual Increase Program (AIP)	Contribution Increase	Change AIP increases	Opt-out option
On or after 1/1/13	Yes at 6%	Yes	2% of regular pay every April 1 to a maximum of 16%	Yes to 1% or 3%	Yes
On or after 1/1/11 and before 1/1/13	Yes at 3%	yes	1% of regular pay every April 1 to a maximum of 10%	Yes to 2% or 3%	Yes

Catch-up Contributions

If you are (or will be) at least 50 years of age by the end of a calendar year, you may elect to defer additional catch-up contributions to the 401(k) Savings Plan. Generally, a catch-up contribution is a deferral contribution in excess of the IRS annual dollar limit. You may elect to defer (a whole percentage) from 1% up to 50% of regular pay in catch-up contributions at any time during the calendar year. Catch-up contributions can be made on a pre-tax or Roth 401(k) basis. Unless you have reached the IRS annual limit of \$18,000 for 2015 before enrolling in catch-up contributions, payroll deductions will be taken simultaneous with regular 401(k) and/or Roth 401(k) contributions. The catch-up limit is \$6,000 for 2015.

Note: If you elect to make 401(k) and catch-up contributions at the same time, but don't reach the IRS

annual 401(k) limit, a portion of your catch-up contributions will be converted to regular 401(k) contributions, so that you reach the IRS annual limit. Whatever amount is not converted to your 401(k) account remains as catch-up contributions. Because of the conversion, your annual catch-up limit may not be met.

An important note about contributions to the 401(k) Savings Plan: When choosing pre-tax, Roth after-tax, catch-up, bonus/commission, vacation/personal absence (PA) cash-out, or sabbatical cash-out (CA only) contribution percentages to defer into your 401(k) Savings Plan account, you should determine how much of your pay is available. Consider your other obligations that have priority over the 401(k) Plan contributions such as taxes, garnishments and other benefit deductions. In the event your combined 401(k) and catch-up, or bonus/commission or vacation/PA cash-out source deductions exceed your available net pay, no 401(k), catch-up, bonus/commission, or vacation/PA cash-out contributions will be taken from your pay. Other deductions to consider include, but are not limited to the following: federal and state income tax, FICA, medical and dental premiums, and the Stock Purchase Plan. You can verify your paycheck deductions via My Paystub.

Highly compensated employees: Highly compensated employees (HCEs) are generally those whose pay is among the top 20% of Intel employees. For 2014, HCEs were those who earned more than \$163,020 with Intel during 2013. The 401(k) Savings Plan is required to compare the average percentage of compensation deferred by HCEs with that of the non-HCE employees during and after the plan year. If the margin between the average deferral percentage of HCEs against the non-HCE employees is greater than what the

Tax Code permits, then the deferrals of HCEs may have to be limited, refunded, or both.

Annual aggregate limit: The combined total of your 401(k) Savings Plan and Intel discretionary Retirement Contributions cannot exceed an annual aggregate limit set by the IRS. Catch-up contributions are excluded from this combined limit. The annual aggregate limit in 2015 is \$53,000, or 100% of taxable compensation, whichever is less.

Intel's Retirement Contributions to the 401(k) Savings Plan

For employees hired or transferred to the U.S. prior to Jan. 1, 2011, and who on or after January 1, 2015, are in grades 7 and above (including the following grade 7+ equivalents: 7-13, 23-28, 43-49, 73-74, 83-89 and all executive grades) or are Intel Contract Employees (ICE) in grades 96-99, any discretionary retirement contribution made by Intel for 2015 or for the year after you move into one of the above mentioned grades will be made to your 401(k) account and it will be invested based on the future contribution election you have on file in your account at the time the contribution is made. If you have no future investment election on file, the contribution will be invested in a 401(k) Target Date Fund based on your approximate year of retirement at age 65. Once an investment election is made, you may change investment elections for future contributions, for existing balances already in your account, or for both future contributions and existing balances.

For employees hired or transferred to the U.S. (with no prior U.S. service) on or after Jan. 1, 2011, any

discretionary retirement contribution made by Intel will be made to your 401(k) account and it will be invested based on the future contribution election you have on file in your account at the time the contribution is made. If you have no future investment election on file, the contribution will be invested in a 401(k) Target Date Fund based on your approximate year of retirement at age 65. Once an investment election is made, you may change investment elections for future contributions, for existing balances already in your account, or for both future contributions and existing balances. You begin participation for purposes of the Retirement Contribution benefit on the first day of the calendar quarter coincident with or next following one year of service with Intel.

Intel's retirement contribution is a discretionary contribution determined annually by the board of directors. The board of directors sets the retirement contribution percentage after considering labor market competitive factors. If you are an eligible participant, your share of this contribution is determined according to the following formula:

$$\text{Your annual eligible pay} \times \text{Percentage determined by Intel's board of directors} = \text{Your annual Retirement Contribution}$$

In this calculation, eligible pay includes your regular base pay plus certain bonuses, commissions, overtime, geographic salary differentials (GEOs), shift differential, compressed workweek schedule (CWW), and other premiums you receive after becoming eligible for the Intel retirement contribution. In accordance with federal tax law, pay in excess of \$265,000 in 2015, will not count in the allocation of retirement contribution. In addition, the portion of income deferred into SERPLUS is not considered as eligible earnings in Intel's qualified retirement plans, including the Intel 401(k) Savings Plan,

Intel Retirement Contribution Plan, and the Intel Minimum Pension Plan.

You begin participation for purposes of the Intel Retirement Contribution benefits on the first day of the calendar quarter coincident with or next following one year of service with Intel.

Example 1: Employee hired prior to January 1, 2011 and is grade 7 or above (or equivalent) as of January 1, 2015

- Intel's discretionary retirement contributions for years prior to 2015 were deposited into the employee's Retirement Contribution Plan account
- Intel's discretionary retirement contribution for 2015, if any, will be deposited in Feb. 2016 into the employee's 401(k) Savings Plan account
- Intel's discretionary retirement contribution for years 2016 and thereafter, if any, will be deposited into the employee's 401(k) Savings Plan account

Example 2: Employee hired prior to January 1, 2011 and is grade 6 or below (or equivalent) as of January 1, 2015 and is promoted to grade 7 or above (or equivalent) on April 1, 2015

- Intel's discretionary retirement contributions for years prior to 2015 were deposited into the employee's Retirement Contribution Plan account
- Even though the employee was promoted in mid-year 2015, Intel's discretionary retirement contribution, if any, for the full year 2015 will be deposited in Feb. 2016 into the employee's Retirement Contribution Plan account
- Intel's discretionary retirement contribution for years 2016 and thereafter, if any, will be deposited into the employee's 401(k) Savings Plan account,

even if the employee moves back to grade 6 or below (or equivalent)

Example 3: Employee date of hire Aug. 8, 2013

- Employee participation begins Oct. 1, 2014
- Discretionary retirement contribution, if any, contributed in Feb. 2015 for one quarter (Q4) in 2014 (prorated). Discretionary retirement contribution, if any, contributed in Feb. 2016 for full plan year in 2015
- Because this employee was hired on or after January 1, 2011, all of the employee's Intel discretionary contributions are deposited into his or her 401(k) Savings Plan account

You will generally not be eligible for a contribution if you terminate employment before the end of the year (12/31) unless you satisfy the retirement eligibility requirements, terminate employment because of permanent and total disability as defined under Intel's LTD plan, or die. If you terminate employment with Intel in the month of December as a result of a redeployment or VSP action, and comparable jobs are not available within Intel you may be eligible for a pro-rated contribution. To be eligible, you must be in good standing with Intel and your job elimination generally cannot be as a result of a divestiture. Intel will determine good standing, comparable jobs, and other terms necessary to apply this special rule based on uniform definitions.

18.2.5 Vesting in the 401(k) Savings Plan

You are always 100% vested in your contributions and any rollovers made to your 401(k) Savings Plan account.

Employees who receive a discretionary retirement contribution in their 401(k) Savings Plan account. The

following vesting schedule applies to the Intel Retirement Contribution benefit.

Completed Years of Service	Percent Vested
Fewer than 2	0%
2 but less than 3	20%
3 but less than 4	40%
4 but less than 5	60%
5 but less than 6	80%
6 or more	100%

How Vesting Service is Determined

Your length of service with Intel plays a key role in determining your vesting. For purposes of counting vesting service only, all service with Intel and any U.S. or foreign subsidiary directly or indirectly owned at least 80% by Intel (the “Intel Controlled Group”) is counted. The 401(k) Savings Plan begins counting service on your date of hire. If you have previous service as an Intern or International service employee, that service counts towards determining your vesting. If you have previous service as a contingent (leased) employee or you are an acquired employee, contact Get HR Help to determine if your previous service is counted. If you leave the Intel Controlled Group and are later rehired, see the “Participation and Vesting upon Re-Employment” section for further information.

A year of service is defined as a period of 12 consecutive months during which you receive pay from a member of the Intel Controlled Group, including normal periods of absence for vacations, holidays, and temporary

approved leaves. For purposes of determining your initial eligibility for a Retirement Contribution, you will receive credit for a year of service after you have completed 365 days without a break in service of 12 months or more. If you leave the Intel Controlled Group but return to service within a 12-month period, you will be considered to have been continuously in service with the Intel Controlled Group during the period of absence.

Regardless of your service, you will be 100% vested in your Retirement Contribution benefit if you meet any of the following conditions:

- You are employed by Intel while you are age 60 or older
- You are receiving benefits from the Intel Long-Term Disability Plan while permanently and totally disabled as defined by the Long-Term Disability Plan under its “Any Occupation” definition. See Pay, Stock and Benefits Handbook, Chapter 14, Disability Plans for additional information
- You are employed by Intel at the time of your death

Additional Special Vesting Rules

If Intel eliminates your job through a redeployment or VSP action which results in the termination of your employment with Intel, and comparable jobs are not available within Intel, you may be eligible for full vesting in the Retirement Contribution benefit. If you are eligible for full vesting, your 401(k) Savings Plan account will reflect the vesting change as soon as possible after the Plan passes a special non-discrimination test. If the Plan fails the special non-discrimination test, full vesting cannot be granted and will be reconsidered during the next regular annual non-discrimination test. To be

eligible, you must be in good standing with Intel and your job elimination generally cannot be as a result of a divestiture. Intel will determine good standing, comparable jobs, and other terms necessary to apply this special vesting schedule based on uniform definitions. This special vesting schedule is subject to IRS nondiscrimination testing.

If you terminate employment with Intel as a result of a Divestiture, and you accept a job offer from, and become an employee of, the acquiring company on the agreed upon hire date, you may be eligible for full vesting in the Retirement Contribution benefit. If you are eligible for full vesting, your 401(k) Savings Plan account will reflect the vesting change as soon as possible after the Plan passes a special non-discrimination test. If the Plan fails the special non-discrimination test, full vesting cannot be granted and will be reconsidered during the next regular annual nondiscrimination test.

Participation and vesting in Intel's discretionary Retirement Contributions upon reemployment

If you leave Intel but are later rehired you may need to satisfy additional eligibility requirements before you can begin or resume participation and vesting in Intel's retirement contributions made to your 401(k) Savings Plan Account.

Length of Service + break	Participation in Intel's Discretionary Retirement Contributions	Vesting in Intel's Discretionary Retirement Contributions
If a nonvested employee left and break plus service was less than or equal to 365 days	Participation begins the first day of the calendar quarter coincident with or next following the date at which service + break = 365 days	Contributions vest by counting all service and breaks
If a nonvested employee left and break was less than 365 days and total service was greater than or equal to 365 days	Participation begins the first day of the calendar quarter coincident with or next following the date at which service + break = 365 days; or if this is met in a calendar quarter preceding date of retire, participation begins upon return to Intel as an eligible employee	Contributions vest by counting all service and breaks
If a nonvested employee left and break was greater than or equal to 365 days but less than five years and total service was less than 365 days	Participation begins the first day of the calendar quarter coincident with or next following the date at which total service = 365 days	Contributions vest by counting all service

<p>If a nonvested employee left and break was greater than or equal to 365 days but less than five years and total service was equal to or greater than 365 days</p>	<p>Participation begins the first day of the calendar quarter coincident with or next following the date at which total service = 365 days; or if this is met in a calendar quarter preceding date of retire, participation begins upon return to Intel as an eligible employee</p>	<p>Contributions vest by counting all service</p>
<p>If a nonvested employee left and break was greater than five years</p>	<p>Participation begins the first day of the calendar quarter coincident with or next following latest date of hire (DOH) plus 365 days</p>	<p>Contributions made prior to the break are forfeited. Contributions made after rehire vest by counting all service after the last DOH</p>
<p>If an employee who was at least partially vested left (regardless of the length of the break</p>	<p>Participation begins upon return to Intel as an eligible employee</p>	<p>Contributions vest by counting all service</p>

18.2.6 Rollovers and Transfers from Other Plans

If you are eligible to participate in the 401(k) Savings Plan, you may roll over an eligible retirement plan distribution, provided the distribution meets the specific Tax Code and Plan requirements. Generally, eligible retirement plans include:

- Individual retirement accounts under Tax Code Section 408
- Qualified retirement plans under Tax Code Section 401(a)
- Tax-exempt entity plans under Tax Code Section 403(b)
- Governmental plans under Tax Code Section 457

In addition, the Plan will accept rollovers from conduit IRAs (rollover IRAs), non-conduit IRAs (traditional IRAs, Simplified Employee Pension plans (SEP-IRAs)), and SIMPLE IRA distributions (made more than two years from the date you first participated in the SIMPLE IRA). Once these balances have been rolled into the 401(k) Savings Plan, they must follow the terms and conditions of the 401(k) Savings Plan. Eligible rollover distributions do not include required minimum payments under Tax Code Section 401(a)(9), any distribution that is one of a series of substantially equal periodic payments made for your life expectancy (or the joint life expectancy of you and your beneficiary), hardship withdrawals, or distributions of after-tax or Roth 401(k) dollars.

18.2.7 Investment Options

Intel's Retirement contributions and investment earnings accumulate in the Plan on a tax-deferred basis until the money is paid out to you.

There are a variety of investment options for your contributions to the 401(k) Savings Plan. You may split your investment in any whole percentage increments among any of the investment options offered under the 401(k) Savings Plan. The investments are broken down into three primary categories, Target Date Funds, Core Funds, and Fidelity BrokerageLink*.

Within each investment category are a number of investment funds from which to choose. You should review the fund prospectus and/or fund fact sheet available at Fidelity's NetBenefits website for each of the funds in which you are interested. Those documents provide information about the Fund's investment strategy, expenses, and operation, including any trade limitations (see below in this section under "Investment election information" for details on trade limitations).

Investment categories— Target Date Funds, Core Funds, and Fidelity BrokerageLink®

The following are general descriptions of the investment categories offered in the 401(k) Savings Plan. Choose from the available funds in one or all investment categories to build your portfolio. To view the available funds, most recent fund performance, or the Morningstar quarterly fund fact sheets for the Target Date and Core Funds, visit Fidelity's NetBenefits website or call the Fidelity Service Center. To research the funds available in Fidelity BrokerageLink, visit www.Fidelity.com or call the Fidelity Service Center. See "Resources" in this chapter for current URL and phone numbers.

Target Date Funds

Target Date Funds provide a single fund approach to investing based on your age and approximate date of retirement at age 65. The number, as in Target Date 2045, represents the approximate year when you plan to start withdrawing your benefits. Each fund offers a broadly diversified mix of domestic and international stocks and bonds, and includes investments not typically available to individual investors, such as hedge funds and

commodities. They are professionally managed, continuously monitored, and automatically rebalanced for you.

While a younger investor may be able to afford to take more risk in order to maximize returns, an investor approaching retirement should consider reducing his/her risk and choose investments that provide more stability in the portfolio. A Target Date Fund is designed to achieve this balance, because it is adjusted over time to reduce exposure to higher-risk assets, such as stocks and increase exposure to lower risk investments such as bonds and stable value.

The Target Date Income Fund and the 401K Global Diversified Fund do not include numbers, or “years.”

- **The Target Date Income Fund** is a conservative balanced fund which may be appropriate for investors who are retired and is comprised of domestic and international equity, global bond and short-term investments, hedge funds, and commodities
- **The 401K Global Diversified Fund** is a balanced investment fund comprised of domestic and international equity, global bond and short-term investments, hedge funds, private equity, and real assets (e.g. commodities, real estate & natural resource-focused private equity). This fund replicates the asset allocation mix of the Global Diversified Fund in the Retirement Contribution Plan

Unlike mutual funds, the Target Date Funds are available only under Intel plans and not to the general public. Because these funds are not quoted on a public exchange, they do not have "ticker" symbols, and therefore cannot be looked up in the newspaper or on the Internet.

To select the appropriate Target Date Fund for you, review your risk tolerance and investment time horizon, and choose the fund that represents the approximate year when you plan to start withdrawing your benefits. For additional information about performance and the mix of investments of the Target Date Funds, refer to the Morningstar fund fact sheets on Fidelity's NetBenefits website.

Core Funds

Core Funds enable you to build your own portfolio from a broad range of investment choices representing all the major asset classes, including short term investments, bond funds, domestic and international stock funds and the Intel Stock Fund. If you invest in Core Funds, you should monitor your portfolio and rebalance at least once a year to ensure you have the appropriate investment mix.

For additional information about the performance of funds in the Core Fund line-up, refer to the Morningstar fund fact sheets on Fidelity's NetBenefits website.

Fidelity BrokerageLink

The Fidelity BrokerageLink is most suitable for people who prefer a wider choice of funds because they actively research, review, trade, and rebalance their portfolio. A BrokerageLink account is a brokerage account that allows you to invest your 401(k) Savings Plan savings in a broad range of Fidelity and non-Fidelity mutual funds: 4,500 mutual funds and exchange traded funds (ETFs). Of these, 1,650 mutual funds and 65 ETFs have no transaction fees; others have fees.

If you invest through BrokerageLink, you should actively and regularly review, monitor, and rebalance to ensure you have the appropriate investment mix. You are responsible for the management of your Fidelity

BrokerageLink account. This is a personal, private account with Fidelity offered through the 401(k) Savings Plan. Intel and the Investment Policy Committee do not monitor or determine the funds in your BrokerageLink account.

Additional information regarding the commission structure, fact sheet, and account application are available on the Fidelity NetBenefits website. See the “Resources” section in this chapter for online and phone enrollment tools.

Note: If you redirect money from your BrokerageLink account to your 401(k) Savings Plan account, it will be invested in the Invesco Government & Agency Portfolio until you make an election to invest it differently.

Intel Stock Fund

Assets in the Intel Stock Fund available in the 401(k) Savings Plan are invested primarily in Intel common stock. A subsidiary of Fidelity, acting as an agent of the Plan’s trustee, purchases the common stock on the open market, based upon participant investment instructions.

- There is a 20% limitation on how much you can invest in the Intel Stock Fund. No more than 20% of your future 401(k) Savings Plan deferrals can be invested in the Intel Stock Fund
 - Example: If you withhold 10% of your paycheck for your 401(k) Savings Plan, only 20% of your total 401(k) Savings Plan deferral (2% of your paycheck) can go into the Intel Stock Fund
- You cannot exchange money into the Intel Stock Fund from another investment if the value of the Intel Stock Fund will exceed 20% of your total 401(k) Savings Plan balance

- Example: If you have a 401(k) Savings Plan account balance of \$100,000, when the Intel Stock fund portion of the total exceeds \$20,000, you will be blocked from moving (exchanging) funds into the Intel Stock Fund

Free\$tock

If you were a Plan member before 1987, contributions that were invested solely in Intel stock are referred to as Free\$tock. If you have Free\$tock, you have the option of exchanging your investment from Intel stock to any of the 401(k) Savings Plan's investment options.

Risk of investing in the Intel Stock Fund

Because assets in the Intel Stock Fund are invested primarily in Intel common stock, the return on any investment in the Intel Stock Fund will be primarily dependent upon changes in the market price of Intel common stock and any dividends paid on the common stock. In turn, changes in the market price of Intel common stock are substantially dependent upon the financial performance of Intel and the market's perception of Intel's future potential financial performance. Many factors may affect Intel's financial performance and the market's perception of its future financial performance. In addition, as a result of the absence of diversification in the Intel Stock Fund, it is generally a more risky investment than other funds available under the 401(k) Savings Plan, many of which are significantly more diversified. You should recognize that any investment option, including the Intel Stock Fund, could decline in value, which could mean a loss of value in your plan account.

The Intel Stock Fund will incur costs that will affect the overall return of the Fund. Among other potential costs, the Intel Stock Fund may be required to pay a management fee for the purchase of the shares of Intel common stock and may be required to pay brokerage fees to the brokers who actually buy and sell the shares on the open market. The Intel Stock Fund also will incur fees in connection with satisfying various accounting and legal requirements. In addition, the Intel Stock Fund may hold small amounts of cash or other short-term investments for liquidity purposes. Because of the expenses borne by the Intel Stock Fund and the fact that it may hold assets other than Intel common stock, returns on the Intel Stock Fund will vary from the performance of Intel common stock (INTC). Any or all of these factors may have a substantial effect on the overall return of the Intel Stock Fund offered in the 401(k) Savings Plan.

In considering whether to allocate plan assets and contributions to the Intel Stock Fund, carefully review the information in Intel's periodic reports on Form 8-K, quarterly reports on Form 10-Q, annual reports on Form 10-K, and other reports and documents filed with the SEC. Copies of these reports can be obtained from Intel's website at www.INTC.com, the SEC at 800-SEC-0330 or www.sec.gov, or by calling Intel's transfer agent, Computershare Investor Services, at 800-298-0146.

Dividends paid on the Intel Stock Fund

If you invest any portion of your 401(k) Savings Plan account in the Intel Stock Fund, you have the right to elect to receive in cash any dividends earned on the common stock in the Intel Stock Fund that is allocated to your account. You may change your dividend election payment at any time, but at least 10 days in advance of a

dividend payment for such change to take effect. Otherwise, the change in election will apply to the next following payment. Cash dividend payments of less than \$10 will automatically be reinvested in your account unless you select electronic funds transfer (EFT) as the payment method. If you do not elect to receive dividends in cash, the dividends earned on the common stock in the Intel Stock Fund will be reinvested in the Intel Stock Fund. Because of the time it takes to process and settle securities transactions and to reinvest cash dividends, changes in your account balance in the Intel Stock Fund during the days preceding or following the ex-dividend date—the date on which the right to receive cash dividends, stock dividends, and stock splits vests—may affect whether shares are credited to your account as a result of the dividend or stock split. The portion of the 401(k) Savings Plan that is invested in the Intel Stock Fund is considered an employee stock ownership plan (ESOP).

Allocation of shares in the Intel Stock Fund

Shares purchased in the open market on any given day are allocated to your account and the accounts of other participants for whom shares are being purchased on that day based upon the following: (1) the amount being invested in the Intel Stock Fund on behalf of each such account; and (2) the daily weighted average purchase price of open market purchases. The weighted average purchase price for any given day is calculated by dividing the aggregate price of all purchases on that day by the number of shares purchased. You will be considered the owner of the shares of Intel common stock allocated to your account for purposes of any matters submitted to the stockholders for a vote. Any vote that you submit on behalf

of your Intel Stock Fund shares will be kept confidential. When reporting voting results for the Intel Stock Fund shares, the report will only show the aggregate vote for all Intel Stock Fund shares that are voted. The number of shares of Intel common stock allocated to your account will be reflected on your 401(k) Savings Plan account statement.

Currently, the Intel Stock Fund is a daily share accounted fund. A daily share accounted fund is an investment option in which participants' accounts reflect ownership of the underlying stock rather than ownership of units in the fund itself. If transaction requests for daily share accounted funds are requested before 4 p.m. (Eastern) on a business day, the transactions typically will receive the weighted average purchase price or sale price on the following business day. Otherwise, it will receive the weighted average purchase price or sale price on the second business day after the transaction is received. The weighted average purchase price for any given day is calculated by dividing the aggregate price of all purchases for the daily share accounted fund (less any transaction fees) on that day by the number of shares purchased.

Similarly, the weighted average sale price on any given day is calculated by dividing the aggregate price of all sales on behalf of the daily share accounted fund (less any transaction fees) on that day by the number of shares sold. There is currently a three-day settlement period after the purchase or sale date for this fund.

In determining whether to allocate assets to the Intel Stock Fund and how much to allocate, you should carefully consider the level of your participation in the other Intel stock benefit plans and the fact that your overall compensation is already substantially tied to Intel's performance. Certain of the other investment options that

invest in stocks may also invest in Intel's common stock, although any such holdings are typically limited to no more than 5% of the Fund's assets.

Investment election information

When you elect to contribute to the 401(k) Savings Plan, you must select one or more investment options for your contributions. This election will apply to your entire contribution; you cannot make a separate investment election for different contribution types (pre-tax, Roth 401(k), Retirement Contribution, etc.) in your 401(k) Savings Plan account.

For employees who are receiving Intel's discretionary retirement contributions to their 401(k) Savings Plan account: Any discretionary retirement contribution made by Intel to your 401(k) savings Plan account will be invested based on the future contribution election you have on file in your account at the time the Intel contribution is made. If you have no future investment election on file, the contribution will be invested in a 401(k) Target Date Fund based on your approximate year of retirement at age 65. Once an investment election is made, you may change investment elections for future contributions, for existing balances already in your account, or for both future contributions and existing balances.

Your investment elections for existing balances will apply to your entire existing balance in your account. Investment election changes may be made on a daily basis, subject to each fund's policy regarding frequent trading restrictions and short-term redemption fees. Some investment funds limit frequent transfers in and out of the fund aimed at making short-term gains (called "market timing") to prevent incurring excessive costs and

negatively affecting the return of the fund. Intel has adopted an excessive trading policy consistent with rules that Fidelity--Intel's provider of retirement administrative services--has implemented. The policy applies to the frequency of trading in and out of the investment choices offered in the 401(k) Savings Plan fund lineup.

Fidelity monitors the number of roundtrip (in and out) transactions in shareholder accounts. A roundtrip is a mutual fund purchase or exchange purchase followed by a sell or exchange sell within 30 calendar days in the same fund and account. Excessive trading in life stage funds, core asset funds, Intel stock fund, mutual funds or other investment options subject to such restrictions will result in the limitation or prohibition of additional purchases (other than contributions and loan repayments) for 85 calendar days; additional excessive trading will result in a limitation of one exchange day per calendar quarter for a 12-month period. To view Intel's excessive trading policy, visit Fidelity's NetBenefits website. See the "Resources" section for additional information.

If you direct any portion of your 401(k) Savings Plan account to Fidelity BrokerageLink, you have the option to set up a standing order to direct your future contributions directly to your BrokerageLink account. Standing orders are currently limited to the available mutual funds and do not include ETFs. You should review the commission schedule and/or call the Fidelity Service Center to understand any fees that are applicable to the transactions you make on the investment funds in your BrokerageLink account.

The investment options under the 401(k) Savings Plan each have different investment objectives and, consequently, different elements of risk and potential for

growth. Before deciding how to invest your account, you need to assess your own tolerance for risk in view of your long-term plans and the length of time you expect to continue working.

Subject to the limitations on investments in the Intel Stock Fund, you may invest 100% of your future contributions in any of the investment options, or you may split your investment in minimum increments of 1% among any combination of the investment options. You may also make an exchange of your existing balance in increments of 1% or a specific dollar amount (except in the Intel Stock Fund).

The 401(k) Savings Plan is intended to operate as an ERISA Section 404(c) plan. The Plan offers participants and beneficiaries the opportunity to exercise control over the assets contributed and accumulated on their behalf by allowing them to choose the manner in which these assets will be invested from a broad range of investment alternatives. This means that you or your beneficiaries may not hold Intel, the Plan's service providers, or any of their respective employees or agents liable as plan fiduciaries for any losses sustained in your account that are the result of your exercise of control over how your contributions are to be invested. In other words, you bear the risk of the performance of your directed investments, even if that performance is poor. Plan fiduciaries will not provide advice as to how you manage your investments in your account under the Plan. Accordingly, for advice on how the assets in your account should be invested, you should consult an investment advisor.

The Investment Policy Committee reserves the right without advance notice, and on a temporary or permanent basis, to do the following: add, change, or remove one or more investment option(s) under the 401(k) Savings Plan

(except for the Intel Stock Fund), change the dates on which elections can be made or on which elections become effective, and to limit the number of changes you may make to your contribution selections during any calendar year.

You may obtain the following additional information concerning the investment options available under the 401(k) Savings Plan by visiting Fidelity [NetBenefits](#) or by calling the Fidelity Service Center (see “[Resources](#)” in this chapter for online and phone number information.):

- A description of the annual operating expenses of each available investment fund (e.g., investment management fees, administrative fees, transaction costs) which reduce the rate of return to participants and beneficiaries, and the aggregate amount of such expenses expressed as a percentage of average net assets of the designated investment option
- Copies of any prospectuses, financial statements and reports, and of any other materials relating to the investment funds available under the Plan to the extent this information is provided to the Plan
- A list of assets comprising the portfolio of each investment fund which constitutes “plan assets” within the meaning of ERISA
- Information concerning the value of shares or units in each investment fund, as well as past and current investment performance of such alternatives, determined, net of expenses, on a reasonable and consistent basis
- Information concerning the value of shares of mutual funds held in your account

When you plan your asset allocation strategy for your 401(k) Savings Plan account, you should consider how your Intel Retirement Contribution Plan account, if applicable, is invested, and how any other assets you may hold are invested, to assure that you are well diversified in your overall asset allocation. You are strongly encouraged to read all of the fund descriptions and disclosure materials relating to the investment options under the Plans, and seek professional tax advice and/or financial planning guidance.

18.3 Retirement Contribution Plan and Minimum Pension Plan

Topics

18.2.1 Retirement Contribution Plan and Minimum Pension Plan Overview

18.3.2 Eligibility and Participation

18.3.3 How Service for Eligibility and Vesting is Determined

18.3.4 Vesting in the Retirement Contribution Plan and Minimum Pension Plan

18.3.5 Retirement Contribution Plan contributions

18.3.6 Minimum Pension Plan Benefits

18.3.7 Qualified Supplemental Employee Retirement Plan (QSERP)

18.3.8 Pension Benefit Guaranty Corporation (PBGC)

18.3.1 Retirement Contribution Plan and Minimum Pension Plan Overview

For many employees, the Retirement Contribution Plan is Intel's contribution toward your retirement savings. Any discretionary retirement contribution is made on a tax-deferred basis and deposited typically in late January or early February for the preceding year's eligibility period.

The Minimum Pension Plan may provide eligible employees an age 65 minimum pension benefit if their Retirement Contribution Plan account balance does not provide a minimum level of retirement income as determined by the pension formula.

18.3.2 Eligibility and Participation

You are eligible to participate in the Retirement Contribution Plan and Minimum Pension Plan upon satisfying the conditions outlined in the "Plan Eligibility" section in this chapter and the service requirements below.

If eligible, you began participation in the Retirement Contribution Plan and Minimum Pension Plan on the first day of the calendar quarter coincident with or next following one year of service with Intel. For example, if an eligible employee was hired on April 1, 2010, he or she became a participant on April 1, 2011. In contrast, if the employee was hired one day later on April 2, 2010, he or she became a participant on July 1, 2011.

If you were hired before Jan. 1, 2011:

- Intel's discretionary contributions towards your retirement for your eligible years of participation prior to 2015 were made to your Retirement Contribution Plan account

- For eligible employees who on January 1, 2015 are in grades 6 and below (or equivalent in grades 2-6, 30-37, 41-42, 51-58, 68-72, 75-82, and 91-95), Intel's discretionary retirement contributions, if any, for years 2015 and thereafter will continue to be deposited into your Retirement Contribution Plan account for each year you remain in one of these eligible grades. If you are promoted to an ineligible grade 7 and above (or equivalent) after January 1, 2015, Intel's discretionary contribution, if any, for each year after your promotion will be deposited into your 401(k) Savings Plan account, even if you later move back to grade 6 or below (or equivalent)
- For eligible employees who on January 1, 2015 are in grades 7 and above (or equivalent in grades 7-13, 23-28, 43-49, 73-74, 83-89 and all executive grades) or are Intel Contract Employees (ICE) in grades 96-99 on January 1, 2015, Intel's discretionary retirement contributions, if any, for years 2015 and thereafter will be deposited into your 401(k) Savings Plan account even if you later move to grade 6 or below (or equivalent)

If you were hired or you transferred to the U.S. (with no prior U.S. service) on or after Jan. 1, 2011: you are not eligible for the Intel Retirement Contribution Plan or the Minimum Pension Plan. Because you are not eligible for participation in these Plans, any discretionary Intel retirement contribution is made to your Intel 401(k) Savings Plan account.

18.3.3 How Service for Eligibility and Vesting is Determined

Your length of service with Intel plays a key role in determining your eligibility and vesting. For purposes of your eligibility and vesting service only, all service with Intel and any U.S. or foreign subsidiary directly or indirectly owned at least 80% by Intel (the “Intel Controlled Group”) is counted. The Retirement Contribution Plan and Minimum Pension Plan begin counting service on your date of hire. If you have previous service as an Intern or International service employee, that service counts towards determining your eligibility. If you have previous service as a contingent (leased) employee or you are an acquired employee, send a request to Get HR Help on Circuit to determine if your previous service is counted. If you leave the Intel Controlled Group and are later rehired, see “Participation and Vesting upon Re-Employment” in this chapter for further information.

A year of service is defined as a period of 12 consecutive months during which you receive pay from a member of the Intel Controlled Group, including normal periods of absence for vacations, holidays, and temporary approved leaves. For purposes of determining your initial eligibility, you will receive credit for a year of service after you have completed 365 days without a break in service of 12 months or more. If you leave the Intel Controlled Group but return to service within a 12-month period, you will be considered to have been continuously in service with the Intel Controlled Group during the period of absence.

18.3.4 Vesting in the Retirement Contribution Plan and Minimum Pension Plan

Vesting refers to the percentage of an account or benefit that you have earned, based on your length of service with Intel, and will not be forfeited if you terminate employment.

The following vesting schedule applies to participants who are active employees as of Dec. 31, 2007, or later.

Completed Years of Service	Percent Vested
Fewer than 2	0%
2 but less than 3	20%
3 but less than 4	40%
4 but less than 5	60%
5 but less than 6	80%
6 or more	100%

The following vesting schedule applies to participants who terminated employment prior to Dec. 31, 2007, with a vested Retirement Contribution Plan account balance or vested Minimum Pension benefit.

Completed Years of Service	Percent Vested
Fewer than 3	0%
3 but less than 4	20%
4 but less than 5	40%
5 but less than 6	60%
6 but less than 7	80%
7 or more	100%

Regardless of your service, you will be 100% vested in all of your Retirement Contribution Plan and Minimum Pension Plan benefits if you meet any of the following conditions:

- You are employed by Intel at age 60 or older
- You are receiving benefits from the Intel Long-Term Disability Plan while permanently and totally disabled as defined by the Long-Term Disability Plan under its "Any Occupation" definition
- You are employed by Intel at the time of your death

Additional special vesting rules:

- If you were an active employee on Jan. 1, 1987, 100% vesting in your Retirement Contribution Plan account balance is automatic when you reach age 55 rather than age 60
- If Intel eliminates your job through a redeployment or VSP action which results in the termination of your employment with Intel, and comparable jobs are not available within Intel, you may be eligible for full vesting in the Retirement Contribution Plan. If you are eligible for full vesting, your Retirement Contribution Plan account will reflect the vesting change as soon as possible after the Plan passes a special non-discrimination test. If the Plan fails the special non-discrimination test, full vesting cannot be granted and will be reconsidered during the next regular annual non-discrimination test. To be eligible, you must be in good standing with Intel and your job elimination generally cannot be as a result

of a divestiture. Intel will determine good standing, comparable jobs, and other terms necessary to apply this special vesting schedule based on uniform definitions. This special vesting schedule is subject to IRS nondiscrimination testing. This special vesting rule is not available in the Minimum Pension Plan

- If you terminate employment with Intel as a result of a divestiture, and you accept a job offer from and become an employee of the acquiring company on the agreed upon hire date, you may be eligible for full vesting in the Retirement Contribution Plan. If you are eligible for full vesting, your Retirement Contribution Plan account will reflect the vesting change as soon as possible after the Plan passes a special non-discrimination test. If the Plan fails the special non-discrimination test, full vesting cannot be granted and will be reconsidered during the next regular annual nondiscrimination test. This special vesting rule is not available in the Minimum Pension Plan. If your Retirement Contribution Plan account was fully vested as a result of redeployment, VSP, or divestiture and you are rehired by Intel at a later date, eligibility for any future contributions and vesting will be determined based on the Plan's eligibility and vesting rules at the time of your rehire taking into account your actual service

Participation and vesting upon reemployment

If you leave Intel but are later rehired prior to January 1, 2015, you may need to satisfy additional eligibility

requirements before you can begin or resume participation. However, a former employee who was rehired on or after January 1, 2011 and prior to January 1, 2015 will not be eligible to participate in the Retirement Contribution Plan and Minimum Pension Plan unless he or she was a participant prior to January 1, 2011.

An employee rehired on or after January 1, 2015, regardless of grade level, will not be able to participate or resume participation in the Retirement Contribution Plan and Minimum Pension Plan under any circumstance.

If you were not fully vested when you terminated your Intel employment and you are later rehired, you may be able to resume vesting in the benefit you earned during your previous period of employment if:

- You were at least 20% vested when you terminated, or
- You were 0% vested when you terminated and your break-in-service was less than five years

18.3.5 Retirement Contribution Plan Contributions

Intel's Retirement Contribution Plan contribution is a discretionary contribution determined annually by the board of directors. The board of directors sets the retirement contribution percentage after considering labor market competitive factors. If you are an eligible participant, your share of this contribution is determined according to the following formula:

$$\text{Your annual eligible pay} \times \text{Percentage determined by Intel's board of directors} = \text{Your annual Retirement Contribution}$$

In this calculation, eligible pay includes your regular base pay plus certain bonuses, commissions, overtime, geographic salary differentials (GEOs), shift differential,

compressed workweek schedule (CWW), and other premiums you receive after becoming eligible for the Retirement Contribution Plan. In accordance with federal tax law, pay in excess of \$265,000 in 2015, will not count in the allocation of retirement contribution.

You will generally not be eligible for a contribution if you terminate employment before the end of the year (12/31) unless you satisfy the retirement eligibility requirements, terminate employment because of permanent and total disability as defined under the Intel Long-Term Disability Plan, or die. If you terminate employment with Intel in the month of December as a result of a redeployment or VSP action, and comparable jobs are not available within Intel, you may be eligible for a pro-rated contribution. To be eligible, you must be in good standing with Intel and your job elimination generally cannot be as a result of a divestiture. Intel will determine good standing, comparable jobs, and other terms necessary to apply this special rule based on uniform definitions.

Retirement contributions and investment earnings accumulate in the Plan on a tax-deferred basis until the money is paid out to you.

Retirement Contribution while on Military

If you are an eligible participant and are on a qualified military leave under the provisions of the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), you will receive a retirement contribution based on any eligible compensation paid to you during your military leave (such as eligible bonuses or military adjustment pay) as well as on the eligible compensation you would have received had you not entered military service. The retirement contribution will

be made to your Plan account at the annual cycle, typically late January/earlier February, even if you are on a qualified military leave at the time the annual contribution is made.

Investment of Retirement Contribution Plan Contributions

Intel's Retirement Contributions and investment earnings accumulate in the Plan on a tax-deferred basis until the money is paid out to you.

Effective on January 1, 2015 you have a choice of investment options for your Retirement Contribution Plan account. You may split your investment in any whole percentage increments among any of the investment options offered under the Retirement Contribution Plan. Any future retirement contributions will be invested in the Global Diversified Fund unless you choose otherwise.

The investment options for the Retirement Contribution Plan provide investment choices in each major asset class category including the Global Diversified Fund, Target Date Funds, low cost index funds, and a Stable Value fund.

You may change investment elections for future retirement contributions, for existing balances already in your Retirement Contribution Plan account, or for both future contributions and existing balances. Investment election changes may be made on a daily basis, subject to the Intel excessive trading policy (see Section 18.2.7 under "Investment election information" for details on trade limitations).

When you plan your asset allocation strategy for your Intel Retirement Contribution Plan account, you should consider how your 401(k) Savings Plan account, if

applicable, is invested, and how any other assets you may hold are invested, to assure that you are well diversified in your overall asset allocation. You are strongly encouraged to read all of the fund descriptions and disclosure materials relating to the investment options under the Plans.

For information on the available investment funds, excessive trading policy or to make exchanges visit Fidelity's NetBenefits website or call the Fidelity Service Center. See "Resources" in this chapter for additional information.

The Investment Policy Committee reserves the right without advance notice, and on a temporary or permanent basis, to do the following: add, change, or remove one or more investment option(s) under the Retirement Contribution Plan, change the dates on which elections can be made or on which elections become effective, and to limit the number of changes you may make to your account selections during any calendar year.

Investment of Retirement Contribution Plan Contributions prior to January 1, 2015

Prior to January 1, 2015 for employees hired before Jan. 1, 2011, Intel directed the investment of your Retirement Contribution Plan contributions on your behalf. Contributions were invested in the Global Diversified Fund. Participants at least 50 years of age by the end of a calendar year had the opportunity to participate in the Retirement Contribution LifeStages Program which enabled you to invest your Retirement Contribution Plan account in one of the Retirement Contribution Target Date Funds or Stable Value fund.

18.3.6 Minimum Pension Plan Benefits

The amount of the Minimum Pension Plan benefit is determined by a formula that is based on your final average pay, Social Security covered compensation and length of service when you separate employment with Intel, or, if earlier, when you ceased earning benefit accruals because of being in an ineligible pay grade or because you transferred to a non-U.S. payroll.

- For active U.S. employees who are Minimum Pension Plan participants as of December 31, 2014, whose benefit accruals stopped effective January 1, 2015 because of being grade 7 or above (or equivalent) or because of being an Intel Contract Employee (ICE), the Minimum Pension Plan benefit formula will be calculated using your final average pay, Social Security covered compensation, and length of service calculated as of December 31, 2014
- For U.S. employees who are Minimum Pension Plan participants whose benefit accruals stop after January 1, 2015 as a result of being promoted to grade 7 or above (or equivalent) or because of becoming an ICE employee, the Minimum Pension Plan benefit formula will be calculated using your final average pay, Social Security covered compensation, and length of service calculated as of December 31st of your year of promotion or year of becoming an ICE employee
- For U.S. employees who are Minimum Pension Plan participants whose benefit accruals stop after January 1, 2015 as a result of a transfer to non-U.S. payroll, the Minimum Pension Plan benefit formula will be calculated using your

final average pay, Social Security covered compensation, and length of service calculated as of your date of transfer to non-U.S. payroll

This formula results in a monthly benefit beginning at age 65, which is compared to the monthly annuity equivalent of your Retirement Contribution Plan account balance as of the date of your termination of Intel employment. The amount, if any, by which the Minimum Pension Plan monthly formula benefit exceeds the monthly annuity value of your Retirement Contribution Plan account, is your minimum pension benefit.

If the monthly annuity value of your Retirement Contribution Plan account balance as of the date of your termination of Intel employment produces a benefit that is equal to or greater than the Minimum Pension Plan formula benefit, you will receive your benefit from the Retirement Contribution Plan only.

Calculating the Minimum Pension benefit

The formula for calculating your minimum pension from the Plan at normal retirement is the sum of:

0.75% of final average pay plus
0.65% of excess final average pay
times your years of service with Intel (up to 35
years)
minus the Annuity Value of your Retirement
Contribution Plan account

If the result of the formula is less than or equal to zero, you receive only the value of your Retirement Contribution Plan account. You may request a pension estimate by calling the Fidelity Service Center.

Final average pay

This is the average of your highest five consecutive years of pay in the last 10 years during which you were an eligible participant accruing benefits in the Plan. If your eligibility in the Plan is fewer than five years, this number will be your average pay during all your years of participation. Pay in excess of \$265,000 in 2015, and adjusted annually for changes in cost of living, will not count in the pension calculation.

Covered compensation

This is the average maximum compensation taken into account for Social Security benefits, based on tables provided by the IRS during the 35-year period, which ends in the year you reach your Social Security retirement age.

While covered compensation is generally calculated using tables in effect at termination of employment,

- For U.S. employees who are Minimum Pension Plan participants as of December 31, 2014 whose benefit accruals stopped effective January 1, 2015 because of being in grade 7 or above (or equivalent) or because of being an Intel Contract Employee (ICE), covered compensation will be calculated using the 2014 table
- For U.S. employees whose benefit accruals stop after January 1, 2015 as a result of being promoted to grade 7 or above (or equivalent), or becoming an ICE employee, or being transferred to a non-U.S. payroll, covered compensation will be calculated using the table

in effect during the year of promotion, transfer to ICE or transfer to non-U.S. payroll.

- For active non-U.S. employees as of December 31, 2014 who have accrued benefits in the Intel Minimum Pension Plan, covered compensation will be calculated using the 2014 table

Excess final average pay

This is the excess, if any, of your final average pay over your covered compensation. This part of the formula is intended to provide additional retirement income for the portion of your pay not covered by Social Security benefits.

Years of service for calculating the amount of your Minimum Pension Plan benefit

In general, the total number of years of service used in determining the amount of your Minimum Pension Plan benefit is the same as the number of years for which you receive credit under the rules defined in the “How Service for Eligibility and Vesting is Determined” section. However, the following years of service will not be counted:

- Years of employment as a college intern or summer intern status employee
- Years of employment completed before a break in service of five years or more during which you had no vested interest in the Minimum Pension Plan
- Years of employment while on international payroll with an Intel company located outside of the United States

- Years of pre-acquisition employment with a company acquired by Intel
- Years of employment with an Intel company not participating in the Minimum Pension Plan
- Years of service after December 31, 2014 in which you are in grade 7 or above (or equivalent) or are an Intel Contract Employee (ICE). If you are promoted from grade 6 or below (or equivalent) to one of the above mentioned ineligible grades after January 1, 2015, you will be credited with benefit service for the full calendar year in which your promotion occurs (or to the date you terminate your Intel employment, if earlier), but no benefit credit will be counted for any year thereafter even if you later move back to grade 6 or below (or equivalent)

If you stop accruing benefit service for any reason on or after January 1, 2015 (e.g., you terminate your Intel employment or because of any of the bullet items listed above) you will not be able to resume earning benefit credit under any circumstance thereafter

The maximum service that will be credited by the Plan is 35 years.

Annuity value of your Retirement Contribution Plan account

When you leave Intel, the final balance of Intel's contributions (plus earnings) in your Retirement Contribution Plan account (adjusted, if applicable, for outstanding loans and prior withdrawals) will be converted into a lifetime annuity value for calculation purposes. The calculation is based on your age when you

leave Intel and some assumptions about interest and mortality that are defined by the Plan. Due to IRS regulations, this actual annuity benefit may differ significantly from the annuity that can be purchased by transferring your Retirement Contribution Plan balance into the Minimum Pension Plan as described in the “Annuity options” section of the Distribution after Separation of Employment chapter.

Basic illustrations

- Carol is a grade 7 employee. On December 31, 2014, her final average pay and years of service produce an age 65 benefit of \$1,500/month. On June 30, 2016, she stops working for Intel. At that time, the projected annuity value of her Retirement Contribution Plan account at age 65 is \$1,000/month. Her benefit payable from the Minimum Pension Plan at age 65 is \$500/month
- John is a grade 6 employee who is promoted to grade 7 in April, 2018. On December 31, 2018, his final average pay and years of service produce an age 65 benefit of \$1,000 per month. On September 10, 2022, he stops working for Intel. At that time, the projected annuity value of his Retirement Contribution Plan account at age 65 is \$1,500/month. John will not receive any benefit from the Minimum Pension Plan

Detailed examples of 2014 pension calculations:
Assume the persons in this example are age 65 at retirement in 2014 and have:

	Example 1		Example 2
Final average pay	\$94,000	Final average pay	\$94,000.00
Years of service	20 years	Years of service:	5 years
Covered compensation	\$69,902	Covered compensation	\$69,902

First, calculate the monthly value of the Retirement Contribution Plan account:

	Example 1		Example 2
Retirement Contribution Plan account balance after 20 years of Intel contributions and market returns	\$300,000	Retirement Contribution Plan account balance after 5 years of Intel contributions and market returns	\$37,000
Divide by the current annuity factor. (This example uses an annuity factor from 2014. The actual annuity factor can change quarterly.)	189.3888	Divide by the current annuity factor. (This example uses an annuity factor from 2014-3. The actual annuity factor can change quarterly.)	189.3888

Monthly annuity value of Retirement Contribution Plan account	\$1,584.04	Monthly annuity value of Retirement Contribution Plan account	\$195.37
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Next, calculate the monthly retirement benefit under the minimum pension formula:

Final average pay	\$94,000	Final average pay	\$94,000.00
Multiply by	.75%	Multiply by	.75%
<u>\$705.00</u>		<u>\$705.00</u>	
Excess final average pay (\$94,000 - \$69,902)	\$24,098	Excess final average pay (\$94,000 - \$69,902)	\$24,098
Multiply by	.65%	Multiply by	.65%
<u>\$156.64</u>		<u>\$156.64</u>	
Add the two benefit factors together (\$705.00 + \$156.64)	\$861.64	Add the two benefit factors together (\$705.00 + \$156.64)	\$861.64
Multiply by years of service	20 years	Multiply by years of service	5 years
<u>\$17,232.80</u>		<u>\$4,308.20</u>	
Divide by 12 to get the minimum monthly pension	\$1,436.07	Divide by 12 to get the minimum monthly pension	\$359.02

benefit from the formula		benefit from the formula	
Subtract the monthly annuity value of the Retirement Contribution Plan account balance:	\$1,584.04	Subtract the monthly annuity value of the Retirement Contribution Plan account balance:	\$195.37
Monthly benefit paid from Pension Plan	<u>\$0.00</u>	Monthly benefit paid from Pension Plan	<u>\$0.00</u>

Example 1: If your Retirement Contribution Plan account produces a higher benefit, as in Example 1, you receive your Retirement Contribution Plan account and no benefit from the Minimum Pension Plan. The Retirement Contribution Plan account balance of \$300,000 could be paid out as a lump sum or as an annuity payable each month from the Minimum Pension Plan. Due to IRS regulations for calculating annuities from Retirement Contribution Plan account balances that are transferred into the Minimum Pension Plan, this annuity amount will differ from the \$1,584.04 annuity amount that was subtracted from the Minimum Pension Plan benefit.

Example 2: If the minimum pension benefit formula produces a higher benefit, as in Example 2, you receive your Retirement Contribution Plan account balance and the difference between the Retirement Contribution Plan annuity value (\$195.37) and Minimum Pension Plan annuity (\$359.02) calculations of \$163.65, payable each month from age 65 until death. This benefit may be payable at different times and in different forms. See

“Distributions after Separation of Employment” in this chapter for more information on your distribution options.

Time of retirement – normal, early, late

The Pension Plan formula assumes you will retire at age 65, but you have the option of retiring before or after that age. If you terminate employment on or before age 65 and do not elect to commence your benefit by the time you reach age 65, distribution will automatically commence not later than March 1 of the calendar year after you reach age 65. In this case, your minimum pension benefit will be computed using your final average pay, years of service, and Retirement Contribution Plan account balance at the time you terminated employment. If applicable, the amount of your benefit from the formula will be increased, using interest and mortality assumptions defined by the Plan, to reflect the delay in commencing your benefit after your attainment of age 65.

- **Normal retirement (age 65)**

Retirement at age 65 is considered normal retirement

- **Early retirement (before age 65)**

Once you terminate employment, you can begin receiving your retirement benefits at any time prior to age 65. The minimum pension benefit calculation will use your final average pay, years of service, and Retirement Contribution Plan account balance as of the date you terminate. Your benefit from the formula will be reduced, using interest and mortality assumptions defined by the Plan, to reflect the longer period of time you will likely be receiving monthly payments. If you meet one of the special early retirement definitions when you begin your benefit, the calculation could result in a slightly higher benefit.

To be eligible for early retirement, you must be age 55 or older and have completed at least 15 years of service, or the combined total of your age plus your length of service (both calculated in completed, whole years) must be equal to or greater than the number 75

- **Late retirement (after age 65)**

You may elect to work beyond age 65, which is considered “late” retirement. If you do, you will continue to accrue service, and your minimum pension will be computed using your final average pay, years of service, and Retirement Contribution Plan account balance at the time you actually retire. The amount of your benefit from the formula will also be increased, using interest and mortality assumptions defined by the Plan, to reflect the shorter period of time you will likely be receiving monthly payments

When you terminate

Intel will calculate your Minimum Pension Plan benefit using your actual service, final average pay, and Retirement Contribution Plan balance as of your last day at Intel. This balance will be adjusted, if applicable, for outstanding loans and prior withdrawals. If you qualify for Normal, Early or Late Retirement described above, you will be eligible to receive a retirement contribution for the year you retire (provided a contribution is made that year), and your retirement benefit may include that contribution.

- If your Retirement Contribution Plan balance produces a higher benefit than the pension formula, you will receive payment of your Retirement Contribution Plan account balance only, in the distribution form that you elect

- If the pension formula produces a higher benefit, you will receive a lifetime annuity or a lump-sum distribution from the Minimum Pension Plan and receive a distribution of your Retirement Contribution Plan account balance based on the benefit option you select

18.3.7 Qualified Supplemental Employee Retirement Plan (QSERP)

QSERP provides additional benefits from the Plan that offset certain benefits from the Sheltered Employee Retirement Plus (SERPLUS) plan. Employees who had a vested SERPLUS balance of at least \$5,000 on Dec. 31, 2003, were eligible to participate. Upon separation from employment from Intel, the lump sum value of your QSERP benefit will be subtracted from your SERPLUS balance the month following your date of separation/retirement. QSERP is added to the amount of any minimum pension benefit. Since QSERP is part of the Minimum Pension Plan, all of the same rules and regulations apply. For more information call the Fidelity Service Center or contact Global Retirement at Retirement.Services@Intel.com

18.3.8 Pension Benefit Guaranty Corporation (PBGC)

Your pension benefits under the Intel Minimum Pension Plan are insured by the Pension Benefit Guaranty Corporation (PBGC), a federal insurance agency. If the Plan terminates (ends) without enough money to pay all benefits, the PBGC will step in to pay pension benefits. Most people receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits.

The PBGC generally covers Normal and Early Retirement benefits and certain benefits for your survivors.

The PBGC guarantee generally does not cover: (1) benefits greater than the maximum guaranteed amount set by law for the year in which the Plan terminates; (2) some or all of benefit increases and new benefits based on Plan provisions that have been in place for fewer than five years at the time the Plan terminates; (3) benefits that are not vested because you have not worked long enough for the company; (4) benefits for which you have not met all of the requirements at the time the plan terminates; and (5) certain early retirement payments that result in an early retirement monthly benefit greater than your monthly benefit at the Plan's normal retirement age.

Even if certain of your benefits are not guaranteed, you still may receive some of those benefits from the PBGC depending on how much money your Plan has and on how much the PBGC collects from employers.

For more information about the PBGC and the benefits it guarantees, ask your plan administrator or contact the PBGC's Technical Assistance Division, 1200 K Street N.W., Suite 930, Washington, D.C. 20005-4026 or call 202-326-4000; this is not a toll-free number.

TTY/TDD users may call the federal relay service toll-free at 800-877-8339 and ask to be connected to 202-326-4000. Additional information about the PBGC's pension insurance program is available through the PBGC's Website on the Internet at www.pbgc.gov

Note: The 401(k) Savings Plan and Retirement Contribution Plan are not subject to the PBGC insurance protection.

18.4 Loans and Withdrawals While Employed

Topics

18.4.1 Loans and Withdrawals Overview

18.4.2 Loans

18.4.3 401(k) Savings Plan Withdrawals while Employed

18.4.4 Retirement Contribution Plan Withdrawals while Employed

18.4.1 Loans and Withdrawals Overview

The 401(k) Savings Plan and Retirement Contribution Plan include a loan feature and certain in-service withdrawal provisions. These allow you access to your vested plan account balances while you are an active employee on U.S. Payroll (active employees who permanently transfer to a country outside the U.S., former employees, beneficiaries, and former spouses of employees are not eligible for these provisions).

- The loan feature allows you to borrow against your vested account balances. Loans are available for any reason. Loans have an advantage over in-service withdrawals as you are generally not taxed on the loan proceeds unless your loan violates IRS requirements
- The in-service withdrawal provision is available on certain account sources or for severe financial reasons, such as hardship withdrawal. Certain restrictions and taxes may apply to in-service withdrawals

It is recommended that you consult a tax advisor before requesting a loan or in-service withdrawal.

18.4.2 Loans

What you can borrow

You are permitted to borrow up to the lesser of \$50,000 or 50% of your vested account balance. Funds withdrawn do not share in the Plan's investment gains or losses, but interest paid on the loan will be credited directly to your accounts. The minimum amount you can apply for is \$500. You may take loans from either the 401(k) Savings Plan or the Retirement Contribution Plan, but you may have only two loans outstanding at one time: two from the 401(k) Savings Plan, two from the Retirement Contribution Plan, or one from each Plan. The following borrowing limitations apply:

- You may not borrow from the 401(k) Savings Plan an amount that would cause your loans outstanding under the 401(k) Savings Plan to exceed 50% of your vested balance under the 401(k) Savings Plan
- You may not borrow from the Retirement Contribution Plan an amount that would cause your loans outstanding under the Retirement Contribution Plan to exceed 50% of your vested balance under the Retirement Contribution Plan

The maximum amount of the combined balance of all loans that you have outstanding under all Intel retirement plans cannot exceed \$50,000, minus the highest balance outstanding on all loans at any single time in the last 12 months. If you were hired at Intel from an M&A or subsidiary, participated in their retirement plans, and have an outstanding loan against that Plan account, that outstanding loan balance will count towards the \$50,000 limit in the Intel Plans.

When you request a loan, you must choose whether you would like to have the loan proceeds taken from the 401(k) Savings Plan or the Retirement Contribution Plan, if you have loan amounts available under each Plan. The loan amounts available under the 401(k) Savings Plan and under the Retirement Contribution Plan will be different, and you may take loans from either Plan, or both Plans. When you request a loan from the 401(k) Savings Plan, you may either choose the fund(s) you would like the loan proceeds taken from or the loan proceeds will be taken pro rata across all funds. One additional day (trade + 1 day) is required to process your loan request if you are invested in the Intel Stock Fund, regardless if loan proceeds are requested from the Intel Stock Fund. See “Investment Options” in this chapter for more information on the Intel Stock Fund as a daily share accounted fund. Participants who invest in certain investment options are subject to redemption fees if the minimum holding period requirement is not met. A short-term redemption fee may be charged if the loan proceeds are taken from these funds before you have satisfied the fund’s applicable holding period. If all or a portion of your 401(k) Savings Plan account is invested in funds in Fidelity BrokerageLink, you will be required to transfer the necessary amount back to the Invesco Government & Agency Portfolio before your loan can be processed. For additional information on redemption fees on these funds, view the investment information on Fidelity’s NetBenefits website or call the Fidelity Service Center.

Loan provisions

Loans are generally granted for periods of up to four years (nine years for buying or building your primary residence), and are secured by either your vested 401(k)

Savings Plan account balance or your vested Retirement Contribution Plan balance.

Loans requested from your Retirement Contribution Plan require notarized spousal consent if you are married.

The loan amount will bear a fixed rate of interest equal to the prime rate plus 1% as reported by Reuters on the last business day of each month. The interest you pay on the loan is credited directly to your plan account.

Loans initiated on or after July 1, 2014 are assessed a one-time \$50 loan application fee and will continue to be assessed a quarterly processing fee of \$3.75. Applicable fees are deducted from the account from which the loan was taken. If all or the majority of the 401(k) Savings Plan account is invested in Fidelity BrokerageLink, participants will be required to maintain a small balance in the 401(k) Savings Plan investment fund(s) in order for the quarterly fees to be deducted from the account balance.

Loan repayments are made through regular after-tax payroll deductions. As long as you are receiving a paycheck from U.S. Payroll, you cannot stop your loan repayments for any reason, including bankruptcy. You may also prepay your loan in part or in full. If you have two loans outstanding, one loan must be fully repaid before you will be allowed to initiate a new loan. There is a 30-day waiting period from the date an existing loan is paid until you can request a new loan. There is no waiting period between loan requests when applying for a second loan when only one existing loan is outstanding. All loan repayments and interest will be invested according to your current investment choices for contributions.

If you leave Intel, go on a leave of absence, transfer to a non-participating subsidiary, or are transferred to a non-U.S. site, you may continue to make loan payments

directly to Fidelity via a coupon book. If you are on a leave of absence, you should automatically receive a coupon book from Fidelity, approximately two weeks from the time you start your leave, to continue your loan payments. If you do not receive the coupon book, contact the Fidelity Service Center. If you fail to continue making payments on your Plan loan(s), the outstanding balance(s) may be treated as a distribution subject to income taxes and penalties. For additional information, see “Distributions after Separation of Employment” in this chapter. If you need assistance on your loan, contact the Fidelity Service Center. If you joined Intel as part of a merger or acquisition, these rules may not apply to loans under your M&A Retirement Plan.

If you have a 401(k) Savings Plan and/or Retirement Contribution Plan loan prior to the start of a qualified Military Leave, you can elect that the interest rate on your outstanding loan be capped at 6% during the time you are on Military Leave. You may choose to suspend your loan payments at the current interest rate, prior to leaving on Military Leave. If you choose to suspend your loan and keep your original interest rate, the length of your leave will be added to the end of the life of the loan and reamortized at the original interest rate. Loan repayments may also continue to be taken from your supplemental pay, if available. If no supplemental pay is available, then your loan will automatically be suspended until your return from Military Leave.

If, for any reason, payroll withholding is not possible and you fail to make a loan payment on time, your loan will be declared in default. If a default is declared, Intel may require immediate payment of the entire unpaid balance, or deduct the unpaid balance from the assets in your vested 401(k) Savings Plan account balance or your vested

balance in the Retirement Contribution Plan, as applicable. If the loan is declared to be in default, it is considered a taxable distribution and may be subject to income taxes and penalties. If a loan in default is not repaid, it will be considered outstanding for purposes of calculating your maximum available loan.

More detailed information about the loan and terms is included in the loan application.

18.4.3 401(k) Savings Plan withdrawals while employed

Under certain circumstances, you may withdraw money from your 401(k) Savings Plan accounts while you are still employed. Withdrawals may be subject to taxes and penalties depending on the sources of your 401(k) Savings Plan account from which you withdraw. You should consult a tax advisor before requesting a withdrawal from your account. Withdrawals may be subject to an individual service fee. See “Plan Fees and Expenses” in this chapter for more information. If all or a portion of your 401(k) Savings Plan account is invested in funds in Fidelity BrokerageLink, you will be required to transfer the necessary amount back to the Invesco Government & Agency Portfolio before your withdrawal can be processed. To initiate a withdrawal, contact the Fidelity Service Center.

Withdrawals are permitted only according to the following rules:

Age 59½ withdrawals

Withdrawals of pre-tax and/or Roth 401(k) contributions and earnings are permitted for employees who are at least age 59½. Only one age 59½ withdrawal is permitted within a rolling 12-month period. Withdrawals

from your pre-tax source will be subject to ordinary income tax. Withdrawals from your Roth 401(k) source may be subject to taxes if your withdrawal is requested prior to meeting the qualified distribution rules.

Hardship withdrawals

Withdrawals of pre-tax and/or Roth 401(k) contributions, including pre-tax amounts in your rollover account, are permitted in the event of certain financial hardships which are limited to the following situations:

- Payment of extraordinary medical expenses previously incurred by or necessary to obtain care for you, your spouse, dependents or a designated primary beneficiary(ies)
- The purchase of your primary residence (excluding mortgage payments)
- Payment of tuition and related education fees for the next 12 months of post-secondary education for you, your spouse, dependents or a designated primary beneficiary(ies)
- To prevent eviction of or foreclosure on your principal residence
- Payment of funeral expenses for a family member or a designated primary beneficiary(ies)
- Repair damage of primary residence that would qualify under the casualty deduction under Code section 165

You can update your beneficiary elections for the 401(k) Savings Plan online at www.netbenefits.com or by calling the Fidelity Service Center at 1-888-401-7377. See “Designating a Beneficiary” and “Resources” in this chapter for additional information.

For the calendar year in which you receive pre-tax money as a hardship withdrawal, you must pay income taxes on such withdrawal, which may include an additional 10% penalty tax if you are under age 59½. Withdrawals from your Roth 401(k) source may be subject to taxes if your withdrawal is requested prior to meeting the qualified distribution rules. The hardship withdrawal amount can be increased for the anticipated income taxes and any penalty due on the withdrawal.

Hardship withdrawal requests must be approved by Fidelity, the plan record keeper. Approval is granted only if you are unable to obtain the necessary funds from other sources within Intel, including available plan loans, selling stock that you purchased through the Stock Purchase Plan or received from vesting of RSUs, or exercising your vested stock options, and you indicate in writing that you lack other resources to meet the financial need.

Hardship withdrawal requests can be made only once in a rolling 12-month period, and only your contributions (e.g., not earnings on your contributions, and not any amounts attributable to Intel's discretionary Retirement Contributions made on your behalf) can be withdrawn. Under the law, this does not include earnings credited to your pre-tax account on or before Dec. 31, 1988.

You will be prohibited from making deferrals to all employer plans including the 401(k) Savings Plan for six months after receiving a hardship withdrawal.

After-tax withdrawals

If you participated in the 401(k) Savings Plan before 1988, you may have an after-tax account available for withdrawal. After-tax withdrawals may be made for any

reason, but are permitted only once in a rolling 12-month period.

You may withdraw after-tax contributions made before Jan. 1, 1987, without penalty. If you withdraw after-tax contributions made on or after Jan. 1, 1987, a portion of this withdrawal is assumed to be interest earned and subject to ordinary income tax, and a 10% early withdrawal penalty may apply. **Note:** After-tax withdrawal rules do not apply to the Roth 401(k) source.

Free\$tock withdrawals

If you participated in the 401(k) Savings Plan before 1987, you may have a Free\$tock account available for withdrawal. Only one withdrawal of Free\$tock is permitted in a rolling 12-month period. Payment will be made in either cash or shares of stock according to your withdrawal instructions. If you do not make a specific election, the shares of Intel common stock will be sold and you will receive a cash distribution equal to the value of such shares. This withdrawal will be subject to ordinary income tax and a 10% early withdrawal penalty may apply.

Age 70½ withdrawals

Withdrawals of any or all of your vested Retirement Contribution source are permitted for eligible participants who are at least age 70½. Only one age 70½ withdrawal is permitted in a rolling 12-month period. Age 70½ withdrawals may be subject to an individual service fee, and will be subject to ordinary income tax.

18.4.4 Retirement Contribution Plan Withdrawals while Employed

Age 70½ withdrawals

Withdrawals of any or all of your vested account balance are permitted for eligible participants who are at least age 70½. Only one age 70½ withdrawal is permitted in a rolling 12-month period. Age 70½ withdrawals may be subject to an individual service fee, and will be subject to ordinary income tax. Age 70½ withdrawals requested from your Retirement Contribution Plan require notarized spousal consent if you are married.

18.5 Distributions after Separation of Employment

Topics

- 18.5.1 Distributions Overview
- 18.5.2 Termination of Employment
- 18.5.3 Forms of Distribution at Termination
- 18.5.4 Distributions to Beneficiaries
- 18.5.5 Federal Income Tax Considerations
- 18.5.6 Payments Eligible for Rollover
- 18.5.7 Beneficiaries
- 18.5.8 Tax Effects on Intel
- 18.5.9 Fees and Expenses

18.5.1 Distributions overview

You can receive distributions from your 401(k) Savings Plan, Retirement Contribution Plan and/or Minimum

Pension Plan benefit after you have separated employment with Intel.

Distributions are different from in-service withdrawals which are available while you are employed with Intel. To initiate a distribution, contact the Fidelity Service Center and request a distribution packet for the Plan from which you are requesting a distribution. If all or a portion of your 401(k) Savings Plan account is invested in funds in Fidelity BrokerageLink, you will be required to transfer the entire BrokerageLink balance back to the Invesco Government & Agency portfolio before your 401(k) distribution can be processed. Please seek professional tax advice and/or financial planning guidance.

18.5.2 Termination of Employment

When you terminate your employment with Intel, you can request a distribution as early as 30 days after you leave Intel. You can receive the following:

- Your pre-tax, Roth 401(k), rollover, and merged account balances, and vested Intel discretionary retirement contribution account balance in the 401(k) Savings Plan
- Your vested account balance in the Retirement Contribution Plan
- A benefit from the Minimum Pension Plan, if the balance in your Retirement Contribution Plan account does not provide a minimum level of retirement income as determined by the pension formula

Note: If you transfer to a non-participating subsidiary or to a country outside of the U.S. and are no longer eligible for participation in the Plans, under U. S. tax law you are not eligible to receive a distribution of your

account balance(s) until you have separated employment within Intel's control group.

18.5.3 Forms of Distribution at Termination

The following general rules apply to distributions from the 401(k) Savings Plan, Retirement Contribution Plan and Minimum Pension Plan:

- **401(k) Savings Plan, Retirement Contribution Plan and Minimum Pension Plan: Account balances \$1,000 or less**
 - If your account value in any of the Plans is \$1,000 or less, it will automatically be paid to you in a single lump sum. **Note:** If your 401(k) Savings Plan account balance is comprised of both Roth after-tax and pre-tax contributions, the \$1,000 limit is applied separately to your Roth after-tax balance and your pre-tax balance (pre-tax deferral and discretionary Retirement Contributions)
- **401(k) Savings Plan: Account balances more than \$1,000 but not more than \$5,000**
 - If your 401(k) Savings Plan account value is more than \$1,000 but less than or equal to \$5,000, you may elect to roll over your account to an IRA, to another employer's eligible retirement plan that accepts rollovers, or receive your account value in a single lump sum. If you do not make a distribution election within 60 days from the date you receive your termination packet, your account will be rolled over into a Fidelity Rollover IRA in your name.

Information on how to access your IRA account will be mailed to you after your Fidelity Rollover IRA has been established. Your IRA account is between you and Fidelity. **Note:** If your 401(k) Savings Plan account balance is comprised of both Roth 401(k) and pre-tax contributions the \$1,000 limit is applied separately to your Roth 401(k) balance and your pre-tax balance (including any discretionary Retirement Contributions)

- **Retirement Contribution Plan and Minimum Pension Plan: Account balances more than \$1,000 but not more than \$5,000**
 - If your vested Retirement Contribution Plan account value or Minimum Pension Plan benefit is more than \$1,000 but less than or equal to \$5,000, you may elect to roll over your account to an IRA to another employer's eligible retirement plan that accepts rollovers, or receive your account value in a single lump sum. If you do not make a distribution election within 60 days from the date you receive your termination packet, your account will be rolled over into a Fidelity Rollover IRA in your name. Information on how to access your IRA account will be mailed to you after your Fidelity Rollover IRA has been established. Your IRA account is between you and Fidelity
- **401(k) Savings Plan and Retirement Contribution Plan: Account balances more than \$5,000**

- If your vested 401(k) Savings Plan or Retirement Contribution Plan account balances are more than \$5,000, they will remain in your account until you request a distribution. You may elect to roll over your account to an IRA or to another employer's eligible retirement plan that accepts rollovers, or request a partial distribution with the minimum amount of \$5,000 (full account balance if less), or receive your account value in a single lump sum, or as an annuity paid from the Minimum Pension Plan. If you do not elect a distribution prior to age 70½, federal law requires that you begin receiving benefits from the Plan. The first Plan distribution (referred to as a Minimum Required Distribution or MRD) must be made no later than April 1 of the calendar year after the calendar year you have reached age 70½. Additional distributions must be made by December 31 of that year and each year following. If you are married and elect a form of distribution other than a joint and survivor annuity under the Retirement Contribution Plan, a notarized spousal consent form is required before your distribution can be processed. **Note:** If the total value of your 401(k) Savings Plan account is over \$5,000 and is comprised of both Roth 401(k) and pre-tax contributions, the \$1,000 limit described in the \$1,000 and \$1,000 but not more than \$5,000 sections does not apply
- **Minimum Pension Plan: Account balances more than \$5,000**

- If the present value of your vested Minimum Pension Plan benefit is more than \$5,000, it will be automatically paid as an annuity at age 65, unless you elect another form of distribution, such as lump sum. You may request your Minimum Pension Plan benefit to commence prior to age 65, but the amount of your benefit will be reduced. If you do not elect a form of distribution before your 65th birthday, your Minimum Pension benefit will be paid in a single life annuity or, if you are married, as a 100% joint and survivor annuity with your spouse. If you are married and elect a form of distribution other than a joint and survivor annuity under the Minimum Pension Plan, a notarized spousal consent form is required before your distribution(s) can be processed
- **Distributions from Roth 401(k) contributions.** If you contributed to the 401(k) Savings Plan on a Roth 401(k) after-tax basis, special rules apply. Earnings accumulate on your Roth 401(k) contributions and are distributed federal income tax free if the distribution is a qualified distribution. A qualified distribution is defined as (1) made after you have attained age 59½, become disabled, or die AND (2) made after the fifth tax year beginning with the year you first made a Roth 401(k) contribution. Roth 401(k) account balances may be rolled over to another employer's Roth 401(k) account that accepts Roth rollovers or a Roth IRA, but not to any other account in an employer's plan or to a traditional IRA

- **Distributions from after-tax 401(k) contributions:** If you contributed to the 401(k) Savings Plan before 1988 on an after-tax basis, those contributions are not taxable when distributed. Eligible after-tax contributions made to your 401(k) Savings Plan account can be rolled over to an IRA or to another employer's plan that accepts after-tax monies. The earnings on after-tax contributions can then be tax deferred
- **Outstanding loan balances at distribution.** If you have a loan outstanding and you do not receive or request a distribution of your Plan account, you will receive a coupon book and may continue to make payments directly to Fidelity in order to avoid default. If you have a loan outstanding and you receive a distribution of your account (whether automatically or by election), the amount of your outstanding loan will be included in the taxable portion of the distribution
 - If you have a loan outstanding and your account is rolled over directly to another employer's eligible retirement plan or to an IRA (whether automatically or by election), the balance due on your loan will be deemed distributed to you in a taxable distribution if you do not pay off the loan in advance of the rollover
 - If any portion of the defaulted loan is from the Roth 401(k) source, taxes may apply if you have not met the qualified distribution rules

Before making a distribution election you should consult a tax advisor and review the tax consequences of

each of your distribution options. See Federal Income Tax Considerations in this chapter for additional information.

Lump sum distributions

If you elect to take a lump sum distribution, you may:

- Take the entire distribution in cash and pay the taxes due on the eligible amount in the year received
- Take the entire distribution in cash (or cash and shares of Intel common stock with respect to any whole shares allocated under the Intel Stock Fund or as Free\$tock), and pay the taxes due on the cash and your cost basis on the stock
- Take the entire distribution in cash (or cash and shares of Intel common stock with respect to any whole shares allocated under the Intel Stock Fund or as Free\$tock) and then within 60 days roll over part or all of the distribution into an IRA or into another employer's eligible retirement plan that accepts pre-tax. Roth 401(k) or after-tax rollovers
- Request a direct rollover of your entire account to an IRA or to another employer's eligible retirement plan that accepts pre-tax. Roth 401(k), or after-tax rollovers
- Take part of your distribution in cash or shares of Intel stock with respect to any whole shares allocated under the Intel Stock Fund or as Free\$tock, or both, and request that the rest of your account be transferred to an IRA or to another employer's eligible retirement plan that accepts pre-tax, Roth 401(k) or after-tax rollovers, in a direct rollover

If you take a distribution in cash or shares of Intel stock and subsequently roll it over, rather than transferring that amount in a direct rollover, your distribution will be subject to tax withholdings. See Federal Income Tax Considerations in this chapter for additional information. You may roll over shares of Intel stock to an IRA or to another employer's eligible retirement plan only if the plan or IRA accepts such stock.

Annuity options

You may choose among three annuity options under the Plan. All annuity options are distributed from the Minimum Pension Plan. If you want to receive your 401(k) Savings Plan or Retirement Contribution Plan account in the form of an annuity, your Plan accounts will be transferred to the Minimum Pension Plan. The accounts will be converted to an annuity using rules set out in IRS regulations, which will result in an annuity amount different from the annuity amount subtracted from the Minimum Pension Plan benefit. An annuity paid from the Minimum Pension Plan will be subject to its spousal consent rules. Generally, if you are married and do not elect a joint and survivor annuity under the Retirement Contribution Plan or Minimum Pension Plan, notarized spousal consent is required.

- **Single Life Annuity:** This option provides a monthly payment to you for the rest of your life with no provision for continuing payments to a survivor
- **50% or 100% Joint and Survivor Annuity:** This option provides a reduced monthly payment to you for the rest of your life, and after your death, monthly payments to your designated beneficiary for life. The amount of each payment to your beneficiary is 50% or 100% of the amount of each payment made during

your life. This annuity is calculated based upon a single life annuity and then actuarially reduced to reflect the fact that payments are guaranteed for the lives of two people. The amount of the reduction is based on your age and the age of your beneficiary when payments begin. The benefit can be calculated so that either 50% or 100% of the benefit will be continued to your designated beneficiary in the event of your death

- **10- or 15-year Period-Certain Annuity:** This annuity provides a reduced monthly payment to you for the rest of your life and, if you die, guarantees a payment to your designated beneficiary for the guaranteed 10-year or 15-year period as elected. This annuity is calculated based upon a single life annuity and then actuarially reduced to reflect the guarantee period

Investment of deferred account balances

Unless you elect to receive a distribution, the funds in your 401(k) Savings Plan account will continue to be invested in the investment options selected by you. Following your termination of employment, you will continue to be entitled to change the allocation of your 401(k) Savings Plan balances among the available investment funds offered under the Plan. Deferred vested balances in your Retirement Contribution Plan account will continue to be invested in the Global Diversified Fund, unless you are eligible and elect to participate in the Retirement Contribution LifeStage program, or you have invested your balances in any of the funds made available on January 1, 2015.

401(k) Savings Plan - merger accounts

If you were an employee of a company acquired by Intel, the benefits you earned before the acquisition may have been transferred to the 401(k) Savings Plan in a merger account. If you have a merger account, special distribution options may be available to you. For more information about your merger account distribution options contact the Fidelity Service Center.

18.5.4 Distributions to Beneficiaries

Spousal and non-spousal beneficiaries

Beneficiaries must take a full distribution of a participant's account balance(s) no later than March 1 of the year following the participant's death.

If you are a beneficiary as the surviving spouse, you may choose to have an eligible rollover distribution paid in a direct rollover to an IRA, into another employer's eligible retirement plan that accepts pre-tax and/or Roth 401(k) rollovers, or paid to you in the form of a life annuity or a single lump sum. If the value of the account is \$5,000 or greater and the surviving spouse beneficiary does not elect a distribution from the Retirement Contribution Plan prior to March 1 of the year following the participant's death, the surviving spouse beneficiary's Retirement Contribution Plan account balance will automatically be transferred into the Minimum Pension Plan on March 1 and the surviving spouse beneficiary will receive an immediate single life annuity commencing March 1 from the Minimum Pension Plan. Retirement Contribution Plan account balances less than \$5,000 or the total vested value of the account balance from the 401(k) Savings Plan will be paid as a lump sum if no distribution election is made by March 1.

If you are a non-spousal beneficiary, you may choose a direct rollover to an IRA which will be treated as an “inherited IRA”. A non-spousal beneficiary cannot roll over the payment themselves. A non-spousal beneficiary must instruct the Plan Administrator of the distributing plan to make a direct rollover to an “inherited IRA” that the non-spousal beneficiary has established on his or her behalf. If the non-spousal beneficiary does not make a distribution by March 1 of the year following the participant’s death from either the Retirement Contribution Plan or 401(k) Savings Plan, the Plan accounts will be paid as a lump sum regardless of the value of the account balance.

If distribution of your account already started in the form of an annuity payment before your death, your beneficiary may or may not be entitled to additional payments, depending on the form of annuity payment you elected. See “Annuity options” in this chapter for details. Survivor benefits in the pension plan, in the event you die before benefit payments begin, are payable only to your spouse.

Effective September 16, 2013, under federal tax law spouses are defined as same-sex or opposite sex couples who are legally married under the law of the jurisdiction in which they were married, regardless of where they live. Other statuses, such as a registered domestic partnerships or civil unions, can’t be recognized as marriages for retirement plan purposes under IRS rules, and domestic partners or civil union members are not considered spouses. At the time of preparation of this edition of this handbook, additional IRS guidance regarding the Defense of Marriage Act (DOMA) changes is expected and information regarding relevant plan changes will be contained in future employee

communications and updated in future releases of this document.

Alternate payees

If you are an alternate payee as a result of a Qualified Domestic Relations Order (QDRO), and you are the participant's spouse or former spouse, you have the same choices as the employee except that no survivor benefits will be paid from the Minimum Pension Plan to your spouse if you have remarried. You can have any lump sum payments to which you are entitled from any of the Plans paid as a direct rollover or paid to you. If you have it paid to you, you can keep it or roll it over yourself to an IRA or to another employer's eligible retirement plan that accepts rollovers. If you are an alternate payee and you are not the participant's spouse or former spouse, you can have any lump sum payments to which you are entitled from any of the Plans paid to you. You cannot choose a direct rollover, and you cannot roll over the payment yourself.

18.5.5 Federal Income Tax Considerations

Consult a professional tax advisor

The following summary of federal income tax consequences does not purport to be a complete statement of the law in this area. Any U.S. tax advice contained in this document is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on that person. The summary does not address the effects, if any, of other federal taxes, such as inheritance taxes, or of state, local or foreign tax laws. Because of the complexity

of the tax laws with respect to these matters, and because such laws may change, Intel recommends that you consult a tax advisor to assess your tax situation, as well as the effect and applicability of state, local and other tax laws.

General tax information

The Plans are intended to qualify under Section 401(a) of the Tax Code. Qualification under Sections 401(a) has the following key effects:

- Except for any Roth 401(k) contributions that you make, you are not taxed on the amounts you contribute to the Plans until these amounts are distributed or withdrawn from each Plan
- You are not taxed on earnings or gains in the Plans until these amounts are distributed or withdrawn from each Plan
- The trust which holds the Plans' assets are not taxed on contributions or earnings
- Intel takes a current deduction for amounts contributed to each of the Plans

In general, when you receive money from the Plans, the amount of the distribution is required to be reported to the IRS. Annuity payments and lump sum payments are taxable income in the year each payment is received.

Taxation of distributions

In general, the recipient of a distribution from the Plans will be subject to federal income tax and other state and local taxes in the year of such distribution on the amount of the distribution. The tax treatment of any distribution depends in part on whether the distribution includes shares of Intel common stock, whether the

distribution qualifies as a lump sum distribution, and whether any portion of the distribution is eligible to be rolled over to an IRA or other eligible retirement plan. The following effects are possible:

- Amounts paid to you are subject to withholding taxes
- Some distributions may also be subject to a 10% penalty tax for early withdrawal
- Distributions of Intel stock received as shares may be taxed less than distributions taken as cash
- Special tax treatment is available for some distributions
- Distributions may be rolled over to an IRA or another retirement plan

Distributions of Roth 401(k) after-tax contributions

After-tax contributions included in your 401(k) Savings Plan account distribution from your Roth 401(k) account are not taxed, but earnings might be taxed. The tax treatment of earnings included in the distribution depends on whether the payment is a qualified distribution. If a distribution is only part of your designated Roth 401(k) account, the payment will include an allocable portion of the earnings in your designated Roth 401(k) account. If the payment from the Plan is not a qualified distribution and you do not make a rollover to a Roth IRA or a designated Roth account in another employer's plan, you will be taxed on the earnings in the distribution. If you are under age 59½, a 10% additional income tax on early distributions will also apply to the earnings, unless an exception applies. If you make a rollover, you will not have to pay taxes currently on the earnings and you will not have to pay taxes later on payments that are qualified distributions. If the payment from the Plan is a qualified distribution, you will not be

taxed on any part of the payment even if you do not make a rollover. If you make a rollover, you will not be taxed on the amount you roll over and any earnings on the amount you roll over will not be taxed if paid later in a qualified distribution.

A qualified distribution of Roth 401(k) contributions is defined as meeting both of the following:

- Distribution occurs at least five (5) years after the year of your first Roth 401(k) contribution (counting the first year as part of the five years) *and*
- On or after you attain age 59½, become disabled, or die

You may roll over the distribution to a Roth IRA, a Roth individual retirement account or Roth individual retirement annuity, or a designated Roth account in another employer's plan that will accept the Roth rollover, but not to any other account in a plan or to a traditional IRA.

Distribution of after-tax contributions

If your 401(k) Savings Plan account distribution includes after-tax contributions that portion of your distribution is not taxed. If the distribution is only part of the distribution, an allocable portion of your after-tax contributions is generally included in the payment. If you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a distribution.

You may roll over to an IRA a distribution that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs in order to determine your taxable income for

later payments from the IRAs. If you do a 60-day rollover to an IRA of only a portion of the payment made to you, the after-tax contributions are treated as rolled over last. For example, you receive a total distribution of your 401(k) Savings Plan account which totals \$12,000 of which \$2,000 is after-tax contributions. In this case, if you roll over \$10,000 to an IRA in a 60-day rollover, no amount is taxable because the \$2,000 amount not rolled over is treated as being after-tax contributions.

You may roll over to a new employer's plan all of the distribution that includes after-tax contributions, but only through a direct rollover and only if the new employer's plan separately accounts for after-tax contributions and, in the case of a rollover to a 457(b) plan, is a governmental section 457(b) plan. You can make a 60-day rollover to a new employer plan of part of a distribution that includes after-tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.

Amounts paid to you

When you receive money from the Plans, your distribution amounts are required to be reported to the IRS. Payments you receive from an annuity purchased with tax-deferred contributions and lump sum distributions are taxable income in the year received. If you choose to have your Plan benefits paid to you:

- You will receive only 80% of the taxable portion of the payment that is eligible for rollover, because the Plan administrator is required to withhold 20% of the taxable portion of the payment and send it to the IRS as income tax withholding to be credited against your taxes. Any non-taxable portion of the payment will be paid to you in full

- Your payment will be taxed in the year it is paid unless you roll it over. You may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you also may have to pay an additional 10% penalty tax for early withdrawal
- You can roll over the 80% payment to your IRA, or to another employer plan that accepts your rollover, within 60 days of receiving the payment. The amount rolled over will not be taxed until you withdraw it from the IRA or employer plan. If you roll over your 80% payment, you may be entitled to a tax refund of the 20% withholding credited against your taxes
- If you want to roll over 100% of the payment to an IRA or to an employer plan, you must replace the taxes that were withheld by depositing into the IRA or employer plan an amount equal to the amount withheld. If you roll over only the amount you actually received, you will be taxed on the amount that was withheld for taxes (the 20% federal withholding tax plus any state or other taxes withheld)

You may avoid the 20% withholding if you elect to take your distribution in the form of a direct rollover. Direct rollovers are explained in greater detail in the Direct Rollover section.

Penalty tax

Distributions that are not rolled over will be subject to a 10% excise tax (penalty) unless an exception applies. Generally, the following payments are exempt from the penalty tax:

- Payments to you upon termination of employment after reaching age 55

- Payments to you after retirement due to disability
- Payments made to your beneficiary after your death
- Annuity payments based on your life expectancy
- Payments that do not exceed your tax-deductible medical expenses for the year (whether or not you itemize deductions)
- Payments to an alternate payee under a qualified domestic relations order
- Payments made to comply with a levy by the IRS
- Payments to individuals called to active duty for at least 179 days after 9/11/2001
- Payments of ESOP dividends
- Corrective distributions of contributions that exceed tax law limitations

Withholding taxes

Mandatory withholding: If you take a lump sum distribution that is eligible for rollover as cash (whether or not you roll it over into another plan or to an IRA), the Plan administrator is required to withhold 20% federal income tax from the taxable portion of the payment and report it to the IRS as income tax withholding to be credited against your taxes. Your distribution may also be subject to additional withholding taxes if you live in a state that imposes withholding taxes on retirement plan distributions.

Voluntary withholding: If any portion of your payment is not an eligible rollover distribution but is taxable, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. To elect out of withholding, ask Fidelity for the election form and related information.

Intel Stock

Intel stock in the Intel Stock Fund or your Free\$tock account in the 401(k) Savings Plan may be distributed as shares, or the shares may be sold and distributed as cash. Under current Tax Code rules, if you elect to receive a distribution of shares, the amount of tax you pay may be less than if you elect to receive a cash distribution.

Under this special rule, you may have the option of not paying tax on the net unrealized appreciation of the stock until you sell the stock. Generally, net unrealized appreciation is the increase in the value of the stock while it is held by the Plan. If you elect to receive a distribution of shares, you will be taxed only on your cost basis in the shares. Generally, your cost basis in the Intel Stock Fund is the amount of contributions or transfers into the Intel Stock Fund, plus dividends, less the amount of cash (if any) in your Intel Stock Fund account.

The Plan administrator is still required to withhold 20% federal taxes of the total taxable cash and taxable amount of Intel common stock and report it to the IRS as income tax withholding to be credited against your taxes. However, the Plan administrator is not required to withhold the entire 20% if the cash portion of your distribution is less than 20% of the combined total of cash and taxable common stock amounts. In that case, you will receive only the shares of Intel common stock, and all cash will be credited as income tax withholding.

To use this special rule, one of two requirements must be met:

- The payment must qualify as a lump sum distribution, as described below—or it would qualify except that

you do not yet have five years of participation in the Plan—or

- The stock included in the payment must be attributable to non-Roth 401(k) after-tax employee contributions, if any

You may elect not to have the special rule apply to the net unrealized appreciation. In this case, your net unrealized appreciation will be taxed in the year you receive the stock, unless you roll over the stock. The stock (including any net unrealized appreciation) can be rolled over to an IRA or another employer plan either in a direct rollover or a rollover that you make yourself. If you roll over the stock to an IRA or another plan, the special rule for taxing stock distributions will not apply to a later distribution of the amounts rolled over. If you receive Intel stock in a payment that qualifies as a lump sum distribution, the special tax treatment for lump sum distributions described below (such as five-year averaging) also may apply.

If you wish to take advantage of this special tax rule only with respect to your shares, you may take your shares in a distribution and roll over the rest of your distribution in a direct rollover or a 60-day rollover.

Lump sum distributions to persons born before January 1, 1936

Under the Tax Code, special federal income tax treatment applies to a distribution constituting a lump sum distribution which is made to a person who was born before January 1, 1936. Generally, a lump sum distribution is a payment, within one year, of your entire balance under the Plan, together with your balance under any other profit-sharing or 401(k) plans of Intel and its affiliates, and is payable because you have reached age 59½, died, or

have terminated your service with Intel. For a payment to qualify as a lump sum distribution, you must have been a participant in the Plan for at least five years. However, if Intel reemploys you after you receive a lump sum distribution as a result of termination of your service with Intel, the Tax Code provides for a recapture of the tax benefit that may have resulted to you as a result of the application of certain favorable tax rules described below pertaining to lump sum distributions.

If your distribution qualifies as a lump sum distribution, it may be eligible for special tax treatment:

- **10-Year averaging if you were born before January 1, 1936:** If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to calculate the tax on the payment by using 10-year averaging (using 1986 tax rates). Ten-year averaging often reduces the tax you owe
- **Capital gains treatment if you were born before January 1, 1936:** If you receive a lump sum distribution and you were born before January 1, 1936, you may elect to have the part of your taxable payment that is attributable to your pre-1974 participation in the Plan (if any) taxed as long-term capital gain at a rate of 20%

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. If any portion of a lump sum distribution is rolled over, you cannot use this special tax treatment for later payments from the Plan. If you roll over your payment to an IRA, you will not be able to use this special tax treatment for later payments from the

IRA. Also, if you roll over only a portion of your payment to an IRA, this special tax treatment is not available for the rest of the payment.

18.5.6 Payments Eligible for Rollover

Payments from the Plans may be eligible rollover distributions. This means that they can be rolled over to an IRA or to another employer plan that accepts rollovers. Fidelity will advise you as to what portion of your payment is an eligible rollover distribution.

A payment from the Plans that is eligible for rollover can be rolled over in two ways. You can choose to have all or any portion of your payment either:

- Paid to another retirement plan or IRA in a direct rollover, or
- Paid to you, and deposited by you within 60 days into another retirement plan or IRA (a 60-day rollover)

This choice will affect whether withholding taxes apply to your distribution.

Payments that cannot be rolled over

Generally, the following types of payments cannot be rolled over:

- **Long-term payments:** You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:
 - Your lifetime (or your life expectancy,) or
 - Your lifetime and your beneficiary's lifetime (or life expectancy,) or
 - A period of 10 years or more

- **Required minimum payments:** Beginning in the year you reach age 70½ or retire, whichever is later, a certain portion of your payments cannot be rolled over because it is a required minimum (MRD) payment that must be paid to you
- **Hardship withdrawals:** A hardship withdrawal from the 401(k) Savings Plan cannot be rolled over

Direct rollovers

If you choose to have your distribution transferred in a direct rollover:

- Your payment will not be taxed in the current year and no income tax will be withheld
- Your payment will be made directly to your IRA or, if you choose, to another employer plan that accepts your rollover
- Your payment will be taxed later when you withdraw it from the IRA or the qualified employer plan
- Your pre-tax payment will be taxed under special tax rules if your payment is made directly to a Roth IRA

Direct rollover to an IRA: You can open an IRA to receive the direct rollover. The term “IRA” includes individual retirement accounts and individual retirement annuities. If you choose to have your payment made directly to an IRA, contact an IRA sponsor, usually a financial institution, to find out how to have your payment made in a direct rollover to an IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment.

However, in choosing an IRA, you may wish to consider whether the IRA you choose will allow you to move all or a part of your payment to another IRA at a later date, without penalties or other limitations.

Direct rollover to a Roth IRA: Starting in 2010, you may roll over your pre-tax distribution directly to a Roth IRA. A special rule applies under which the amount of the payment rolled over, reduced by after-tax amounts, will be taxed. However, the 10% additional income tax on early distributions will not apply unless you take the amount rolled over out of the Roth IRA within five (5) years, counting from January 1 of the year of the rollover. If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed, including earnings after the rollover. See “Distributions on Roth 401(k) After-tax Contributions” in this chapter for the definition of a qualified distribution.

Direct rollover to an Employer Plan: If your new employer has a retirement plan, ask the administrator of that plan whether it will accept your rollover. An employer plan is not legally required to accept a rollover. If your new employer’s plan does not accept a rollover, you can choose a direct rollover to an IRA.

60-Day rollover: If you have an eligible rollover distribution paid to you, you can still decide to roll over all or part of it to an IRA or another employer plan that accepts rollovers. If you decide to roll over, you must make the rollover within 60 days after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the IRA or the employer plan.

You can roll over up to 100% of the eligible rollover distribution, including an amount equal to the 20% tax that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to

the IRA or the employer plan to replace the 20% tax that was withheld. On the other hand, if you roll over only the 80% that you received, you will be taxed on the 20% that was withheld.

- Example: Your eligible rollover distribution is \$10,000, (all taxable) and you choose to have it paid to you. You will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$8,000, you may roll over the entire \$10,000 to an IRA or employer plan. To do this, you roll over the \$8,000 you received from the Plan, and you will have to find \$2,000 from other sources (e.g., savings, loans). In this case, the entire \$10,000 is not taxed until you take it out of the IRA or employer plan. If you roll over the entire \$10,000, when you file your income tax return, you may receive a refund of the \$2,000 withheld. If, on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may receive a refund of the part of the \$2,000 withheld. However, any refund is likely to be larger if you roll over the entire \$10,000

18.5.7 Beneficiaries

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are alternate payees. You are an alternate payee if your interest in the Plan results from a qualified domestic relations order, which is an order issued by a court, usually in connection with a divorce or legal separation. Some of the rules summarized above also

apply to a deceased employee's beneficiary who is not a spouse. However, there are some exceptions for payments to surviving spouses, alternate payees and other beneficiaries that should be mentioned.

If you are a surviving spouse or an alternate payee as a result of a QDRO, you may choose a direct rollover to an IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can still decide to roll over all or part of it to an IRA or to an eligible employer plan. If you decide to roll over, you must make the rollover within 60 days after you receive the payment. Thus, you have the same choices as the participant.

If you are a beneficiary other than a surviving spouse, you may choose a direct rollover to an IRA which will be treated as an "inherited IRA." You cannot roll over the payment yourself. You must instruct the Plan Administrator of the distributing plan to make a direct rollover to an "inherited IRA" that you have established on your behalf. You will be required to receive required minimum distributions from the IRA in accordance with IRS regulations. See IRS Publication 590, "Individual Retirement Arrangements," for more information.

If you are a designated beneficiary other than a surviving spouse and you do not choose a direct rollover to an IRA, the taxable portion of your payment will be taxed in the year it is paid and federal income tax will be withheld to the extent required. If you are a surviving spouse, an alternate payee or another beneficiary, you may be able to use the special tax treatment for lump sum distributions and the special rule for payments that include company stock, as described above.

If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age

requirements, whether or not the employee had five years of participation in the Plan.

Required minimum distributions

Distributions from the Plans generally must begin on or before April 1 of the calendar year following the later of the calendar year in which you reach age 70½, or the calendar year in which you retire. A 50% non-deductible excise tax will be imposed on amounts required to be distributed commencing on this date that are not so distributed.

Taxation of excess contributions

If you make contributions to the 401(k) Savings Plan in excess of limitations imposed by the Plan or the Tax Code, you will be subject to taxation as follows:

- Contributions by you to the Plan in excess of the maximum tax-excludable amount under Tax Code Section 402(g) for each calendar year (IRS Annual Dollar Limit), taking into account your tax-excludable salary reduction contributions under all arrangements qualifying under Section 401(k), all simplified employee pension arrangements qualifying under Section 408 and all annuity contracts qualifying under Section 403(b), together with income thereon, are includable in your gross income for federal income tax purposes for the taxable year of the contribution, and also will be subject to taxation on distribution, unless the distribution occurs by April 15 following the close of the taxable year in which the excess amount was contributed. Excess contributions of Roth 401(k) contributions are distributed tax-free but earnings

are taxable. If you made both Roth 401(k) and pre-tax contributions to the 401(k) Savings Plan during the calendar year, excess contributions will be taken from the Roth 401(k) source first followed by the pre-tax source

- If you are a highly compensated employee, contributions for a Plan year that are in excess of the limitations on these contributions under Tax Code Section 401(k) and that are distributed to you, after adjustment for gains or losses, are included in your gross income for federal income tax purposes in the taxable year in which the contribution occurred, if the distribution is within two and one-half months after the close of the Plan year in which the contribution occurred. Otherwise, the excess distribution will be included in gross income in the taxable year in which the distribution occurs, and Intel will be liable for an excise tax equal to 10% of the amount of the excess contributions distributed

18.5.8 Tax Effects on Intel

Intel treats amounts contributed to the Plan under your salary reduction election as employer contributions, which are deductible by Intel in the year that the contributions are made. As discussed above, these contributions are not taxable to you until the year in which you receive a distribution from the Plan. Separate tax rules may apply to Roth 401(k) contributions; see “Distributions on Roth 401(k) Contributions” in this chapter for more information. There are no tax consequences to Intel as a result of Plan distributions made to you.

18.5.9 Fees and Expenses

The following table is provided to help you understand how fees are assessed and paid for the Plan. There are several services available to help you better understand the fees and expenses charged within the 401(k) Savings Plan and/or Retirement Contribution Plan.

Plan expense	Description	Payer
Administrative Expenses	Fees associated with the cost of recordkeeping, accounting, legal and trustee services. They also include additional fees for special features and services, such as telephone and Internet access to your account and financial modeling tools.	Plan administrative expenses are currently paid by Intel for the 2014 Plan year to the extent those expenses are not offset by expense reimbursements and other credits.
Asset-based fees, also called investment management fees	Generally associated with managing fund investments and assessed as a percentage of fund assets.	Asset-based fees are deducted from a fund's total return and are identified in the fund prospectus. For some funds, a portion of the investment management fee is used to pay fund expenses, referred to as an expense reimbursement. Fee and expense information can also be found in in the

		401(k) Plan Participant Disclosure Notice.
Individual service fees	Charged to you when you use a particular plan feature	<p>Loans and minimum required distributions are all subject to individual service fees charged to your account.</p> <ul style="list-style-type: none"> • Loan origination fee: Loans initiated after 6/30/2014 = \$50 per application and \$35 per application for loans initiated prior to 7/1/2014 • Loan maintenance fee: \$3.75 per quarter per account for loans initiated prior to 7/1/2014 • *Overnight mail delivery: \$25
Investment transaction fees	Some investment funds charge a redemption fee or surrender charge to discourage short-term buying and selling	Participants who invest in certain investment options are subject to redemption fees if they don't meet the minimum holding period requirement.

Intel Stock Fund fees	The Intel Stock Fund incurs costs such as management fees and brokerage fees.	The Intel Stock Fund bears these costs, which affects the overall return of the fund
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Your quarterly statement shows the total assets in your account, how they are invested, and the increases and decreases in the value of your investment options during the period covered by the statement. Your statements also show any administrative fees deducted directly from your account.

The prospectuses for the investment funds available in the Plans also contain information regarding plan fees and expense information. The 401(k) Plan and Retirement Contribution Plan Participant Disclosure Notices also contain information regarding plan fees and expenses. Participant Disclosure Notices, Plan and Fund prospectuses are available online at Fidelity NetBenefits or by calling the Fidelity Service Center. The Summary Annual Report of the Plan also includes fee and expense information and is mailed to participants annually in Q3/Q4.

18.6 Other Plan Information and Benefits

Topics

- 18.6.1 Other Plan Provisions
- 18.6.2 Disability and Death Benefits
- 18.6.3 Designating a Beneficiary
- 18.6.4 Quarterly Statements

18.6.5 Resources

18.6.1 Other Plan Provisions

Uniformed Services Employment and Re-employment Rights Act of 1994 (USERRA)

If you interrupt your employment with Intel due to U.S. military service (including full-time National Guard duty) and you later return to Intel, you may be entitled to certain re-employment rights under USERRA. Under USERRA and the Tax Code, you may be allowed to make military catch-up contributions to the 401(k) Savings Plan or receive a Retirement Contribution Plan contribution for the period of qualified military leave. In addition, loan repayments may be suspended during a period of qualified military leave. See the “Contributions” and “Loans” sections of the 401(k) Savings Plan and Retirement Contribution Plan for additional information. For more information about your rights under USERRA, please contact Get HR Help via Circuit.

Qualified Domestic Relations Orders (QDROs)

Under the terms of a qualified domestic relations order (QDRO), the Plans may be required to transfer all or part of your plan benefits to your former spouse as part of a marital property settlement. In addition, a qualified domestic relations order may require that all or part of your account balance be used to satisfy your child support obligations. Copies of the Plans’ procedures and model documents pertaining to qualified domestic relations orders are available to you and your (former) spouse or children, or your attorneys online from Fidelity Employer Services Company LLC. Fidelity will notify you if any of

the Plans receive a qualified domestic relations order that affects your benefits. See “Resources” in this chapter for additional information.

Keep your address information up-to-date

If you are no longer an active employee of Intel, are a beneficiary or an alternative payee, it is your responsibility to keep your contact information updated so that you may continue to receive account and plan information. Update your home mailing address and personal email address online via Fidelity’s NetBenefits website or call the Fidelity Service Center. See “Resources” in this chapter for additional information.

Active participants should use the Personal Profile tool on Circuit to update your address.

18.6.2 Disability and Death Benefits

Disability benefit

You will be considered “permanently and totally disabled” if you are approved in the “Any Occupation” classification of the Intel Corporation Long-Term Disability Plan (LTD plan). “Any Occupation” status, as defined in the LTD plan, means “being unable to perform the work of any occupation for which you are or may become reasonably qualified by training, experience, or education.”

- Regardless of your job grade, if you become permanently and totally disabled while you are working for Intel, you will become 100% vested in your Retirement Contribution Plan account balance, your Minimum Pension Plan benefit, and

in Intel's contributions made to your 401(k) Savings Plan account, whichever are applicable

- If you are a grade 6 or below (or equivalent) participant in the Minimum Pension Plan and you become permanently and totally disabled, you will continue to earn service accruals in the Minimum Pension Plan until you no longer qualify for LTD benefits, attain age 65, or elect to begin your Minimum Pension benefits before age 65, whichever comes first. Your pension benefit will be calculated using all your years of service (up to 35 years), including the years of service you earned while on LTD, your final average pay assuming your compensation at the time of your disability remains unchanged as you continue to earn service accruals while on LTD, and your Retirement Contribution Plan balance at the time you stop earning Minimum Pension Plan service accruals
- If you are grade 7 or above (or equivalent) or an ICE employee whose pay and service accruals under the Minimum Pension Plan formula stopped accruing on or after January 1, 2015 and you become permanently and totally disabled, your Minimum Pension Plan benefit will be calculated using your Retirement Contribution Plan balance as of your last day of employment at Intel
- If your pay and service accruals under the Minimum Pension Plan stopped accruing because you were on a non-U.S. Payroll on or after January 1, 2015 and you become permanently and totally disabled, your Minimum Pension Plan benefit will be calculated using your Retirement Contribution Plan balance as of your last day of employment at Intel

You may withdraw your entire 401(k) Savings Plan or Retirement Contribution Plan account balances at any time once you become permanently disabled. You do not have to pay a 10% penalty tax on withdrawals if you are disabled; however, the taxable portion of your distribution is subject to a 20% federal income tax withholding at the time of the withdrawal if you do not roll it over into another tax-deferred plan.

Death benefit

If you are married: The Minimum Pension Plan automatically provides a surviving spouse benefit if you die while employed at Intel and you had accrued a benefit in the Minimum Pension Plan or you had terminated employment after earning a vested retirement benefit that had not yet commenced. The Minimum Pension Plan benefit is determined net of the annuity value of the Retirement Contribution Plan account balance. The payment of the benefit is determined as if you had chosen a 100% joint and survivor annuity the day before your death. See the “Retirement Contribution Plan and Minimum Pension Plans” section in this chapter for more information about Plan eligibility.

The Retirement Contribution Plan and 401(k) Savings Plan account balances will be paid to your surviving spouse unless your spouse consented to the designation of a different person to receive Retirement Contribution Plan benefits according to Intel’s beneficiary designation procedures. Payments to a beneficiary other than your spouse will be made only in a single lump sum. Retirement Contribution Plan payments to your spouse will be paid as an annuity from the Minimum Pension Plan, unless your spouse elects prior to March 1 following the year of your death to receive payment in a single lump sum. See the

“Retirement Contribution Plan and Minimum Pension Plans” section in this chapter for more information about Plan eligibility.

If you are single: If you die while still employed and are single, your Retirement Contribution Plan account will become 100% vested. Your Retirement Contribution Plan account and 401(k) Savings Plan account balances will be paid in a lump sum to your beneficiary. No death benefits are payable under the Minimum Pension Plan to a beneficiary other than a spouse.

18.6.3 Designating a Beneficiary

You may designate a beneficiary to receive your 401(k) Savings Plan and Retirement Contribution Plan accounts in the event of your death before benefits start. If you do not designate a beneficiary or there are no designated beneficiaries who are living when payment is to be made, the benefits will be paid in the following order of priority:

1. To your spouse
2. To your children, in equal shares, if you have no spouse
3. To your estate if you have no spouse or children

Your beneficiary can be one or more persons or trusts, and can include primary and contingent beneficiaries. Your beneficiary designation under the 401(k) Savings or Retirement Contribution Plans can be, but does not need to be, the same as the beneficiary for other Intel benefit plans, such as life insurance. Your designated beneficiary under the 401(k) Savings Plan may be different from the beneficiary you designate for the Retirement Contribution Plan. If you previously submitted a single beneficiary designation covering both Plans, or your beneficiary designation was executed before 1996, when

the 401(k) Savings and Retirement Contribution Plans officially became separate plans, that beneficiary designation would apply to both Plans until you submit new beneficiary designations. If you are married, your spouse must consent to a designation of a trust, of any other person or persons as beneficiary, and the spouse may revoke the consent if you change the designation after the original consent was given. The consent must be in writing, a notary public must witness the consent, and the consent must acknowledge that, by giving consent, your spouse waives all or some rights to these benefits.

Only a participant can change his or her beneficiary. A beneficiary is not permitted to designate a beneficiary or change the participant's designated beneficiary. Your beneficiary election must be made using the proper Plan beneficiary form in accordance with the Plan procedures. You can make beneficiary designations at any time by visiting Fidelity NetBenefits website and using the beneficiary online tool or calling the Fidelity Service Center. Any other beneficiary designation, such as through a will, is not valid. See "Resources" in this chapter for additional information.

18.6.4 Quarterly Statements

Your quarterly statements are available at the Fidelity NetBenefits website. If you prefer to receive your statements at your home mailing address, you must make the selection from My Profile tab on the Fidelity NetBenefits website. Quarterly statements will show the following:

- The balance in your 401(k) Savings Plan and/or Retirement Contribution Plan accounts
- Your vesting percentage

- The balance in your pretax deferred contribution account, if applicable
- The balance in your Roth 401(k) after-tax contribution account, if applicable
- The balance in your Free\$tock account, if applicable
- The balance in your rollover account, if applicable
- The balance in your after-tax contribution account, if applicable
- The balance in your merged account, if applicable
- The balance in your Retirement Contribution Plan account, if applicable
- The balance in your Fidelity BrokerageLink account, if applicable
- Your withdrawal activity, if applicable
- Your outstanding loan balance, if applicable
- The investment funds held during the statement period
- The investment performance of each of your accounts
- Fees and expenses you incurred in any of your Plan accounts

18.6.5 Resources

To access account information or to obtain additional information about the 401(k) Savings Plan, Retirement Contribution Plan or Minimum Pension Plan contact Fidelity Investments.

- **Online via Fidelity NetBenefits** at www.netbenefits.com/intel. Fidelity NetBenefits is available 24 hours a day, seven days a week with the exception of any scheduled downtime. Enter your Social Security Number or create a username and password. When accessing the Fidelity Service Center or Fidelity NetBenefits for the first time,

you will be prompted by the system to set up a new password. Your password must be no less than six and no more than 12 digits in length. Some of the online resources via Fidelity NetBenefits include:

- Enroll in the 401(k) Savings Plan
- Obtain personal account information, including set up or changing your password
- Change your contribution percentage
- Change investment elections for future contributions
- Initiate an exchange of your existing investment fund balances
- View investment fund fact sheets and fund prospectuses
- Obtain daily fund quotes and historical fund performance information
- View Excessive Trading Policies
- View current Employer Plan news and announcements
- Request information on loans, withdrawals or distributions
- Obtain an incoming rollover form
- View account balances
- View your quarterly statements
- Request written materials or forms
- Access the Summary Plan Description
- Access current tools and education workshops
- Update your beneficiary designation (under My Profile tab)
- Update your home mailing address if you are a beneficiary, alternative payee, or terminated participant (Note For your protection, there is a 15-day hold on distribution transactions from the date the address is updated.)
- Update your email address

- Access BrokerageLink commission schedule, fact sheet, application, handbook, limited third-party trading authorization and indemnification form, and other BrokerageLink information under the Plan Information and Research link under the 401(k) Savings Plan.
- Access BrokerageLink (www.Fidelity.com) account and investment fund information
- **Fidelity Service Center** at 888-401-7377 or TDD 800-655-0962 is available 24 hours a day, seven days a week with the exception of any scheduled downtime. Service Center Representatives are available Monday–Friday (excluding New York Stock Exchange holidays) from 5:30 a.m. to 9 p.m. Pacific

If you are calling the Fidelity Service Center from outside the U.S., you will need the AT&T country access code which can be found on the AT&T Direct website at: <http://att.com/traveler/>. Participants calling from an area unsupported by AT&T Direct should use the following international collect number 508-787-9902.

Some of the available resources via the Fidelity Service Center include:

- Enroll in the 401(k) Savings Plan
- Change your contribution percentage
- Change investment elections for future contributions
- Initiate an exchange of your existing investment fund balances
- Obtain account balances
- Request distributions, withdrawals and loans

- Request a loan payoff amount
 - Request written materials or forms
 - Update your home mailing address if you are a beneficiary, alternative payee, or terminated participant (Note For your protection, there is a 15-day hold on distribution transactions from the date the address is updated)
 - Reset your NetBenefits password
 - Request information on Fidelity's BrokerageLink
 - Updating your BrokerageLink account address. (Online address changes will not transfer to your BrokerageLink account. You must call the Fidelity Service Center)
-
- **Qualified Domestic Relation Orders (QDRO's).**
You can:
 - Access the Plans' procedures and model documents online via Fidelity Employer Services Company LLC at <https://qdro.fidelity.com/>. You, your spouse, or attorneys can access this information by setting up an account on the web site
 - Call the Fidelity Service Center – 888-401-7377 or TDD 800-655-0962. Representatives are available Monday–Friday (excluding New York Stock Exchange holidays) from 5:30 a.m. to 9 p.m. Pacific
 - QDROs for the Intel 401(k) Savings Plan, Intel Retirement Contribution Plan and Intel

Minimum Pension Plan should be sent or faxed to Fidelity at the address below:

Fidelity Employer Services Company
QDRO Administration Group
P.O. Box 770003
Cincinnati, OH 45277-0066
Attn: Intel Corporation
or, fax to 877-665-4284

- **Fidelity BrokerageLink Accounts**
 - Access your BrokerageLink account through your Plan account on NetBenefits, www.netbenefits.com/intel or directly through Fidelity's retail platform, www.Fidelity.com
 - See "Online via Fidelity NetBenefits" section for additional BrokerageLink information
 - To change your address for your BrokerageLink account, please call the Fidelity Service Center at 888-401-7377. (Address changes made via Circuit will not carry over to your BrokerageLink account and will require you to call Fidelity)

- **Payroll Deduction Codes for the 401(k) Savings Plan**
 - Applies to the Annual IRS Limit (\$18,000 for 2015)
 - 401K – Pre-tax contributions
 - 401KBC – Pre-tax bonus/commissions contributions
 - 401KVP – Pre-tax vacation/PA cash out (non-exempt) contributions

- Roth 401K – Roth after-tax contributions
- Roth BC – Roth bonus/commissions contributions
- Roth VP – Roth vacation/PA cash out (non-exempt) contributions
- Applies to the Annual IRS Catch-up Limit (\$6,000 for 2015)
 - CTCHUP – Pre-tax catch-up contributions
 - RothCTCHUP – Roth after-tax catch-up contribution

18.7 Filing a claim

Topics

18.7.1 Claim Process

18.7.2 Making a Claim

18.7.3 Reviewing the Claim

18.7.4 Understanding the Ruling

18.7.5 No Assignment of Rights

18.7.1 Claim Process

If you or your beneficiary disagrees with a plan benefit determination, you may make a claim.

18.7.2 Making a Claim

Your claim should be in writing, and you should explain why you disagree with the benefit determination.

You should also include any other information you believe is necessary to support your claim. Direct your claim to the following address:

Intel Corporation
Attention: Intel Global Retirement
1900 Prairie City Road, FM3-224
Folsom, CA 95630

18.7.3 Reviewing the Claim

Intel Global Retirement will review your claim and conduct an investigation of your records. You will receive a response within 90 days of submitting your claim. If Global Retirement believes that special circumstances justify an extension of time to review the claim, Global Retirement may notify you that it will take up to an additional 90 days to review your claim. The response will be in writing and will explain any adjustments that have been made to the original benefit.

18.7.4 Understanding the Ruling

If you receive a written response denying your claim in whole or in part, the written response will explain the specific reasons for the claims denial, and reference the provisions of the plan document or applicable law on which the decision is based. In addition, you will be provided with information on any other materials that may be necessary to justify your claim and an explanation of the Plan's appeal procedures. Under the Plan's appeal procedures, if your claim is denied, you may file a written request for appeal within 60 days of the denial. The request must be addressed to the Intel Retirement Plans Review Panel and sent to the following address:

Intel Corporation
Attention: Intel Retirement Plans Review Panel

1900 Prairie City Road, FM3-224
Folsom, CA 95630

The Intel Retirement Plans Review Panel will review the appeal and make a determination within 60 days of your request for an appeal. If more time is necessary (up to an additional 60 days is permitted), you will be notified in writing. The Intel Retirement Plans Review Panel determination also will be in writing, and it will state the reasons for the decision and the plan provisions on which the determination is based.

The decisions of the Intel Retirement Plans Review Panel will be final except for cases in which there are conflicting claims made by more than one claimant or beneficiary for the same benefits. In these cases, the Intel Retirement Plans Review Panel can direct that payment of all benefits be withheld until the conflict has been resolved by agreement between the claimants.

18.7.5 No Assignment of Rights

Except in certain circumstances relating to a default under a loan from 401(k) Savings Plan accounts, your interests or property rights in the Plans, in the trust fund, or in any payment to be made under the Plans may not be assigned, alienated, optioned or made subject to attachment, garnishment, execution, levy, or other legal or equitable process or bankruptcy, and any such action will be void. These restrictions do not apply to the creation or assignment of a right to a benefit under the Plan pursuant to a beneficiary Qualified Domestic Relations Order (QDRO).

18.8 General information

Topics

- 18.8.1 Plan Administration
- 18.8.2 Future of the Plans
- 18.8.3 Plan Termination
- 18.8.4 ERISA Rights
- 18.8.5 General information about your Plans and Benefits

18.8.1 Plan Administration

The Retirement Plans Administrative Committee, which currently consists of Intel employees, is the plan administrator responsible for the general operation and administration of the Plan, and for carrying out and interpreting the Plan's provisions. The Investment Policy Committee, which currently consists of Intel employees, a member of Intel's Board of Directors, and one non-employee/non-director member, has asset management responsibility for the Plan. The Investment Policy Committee has determined that it is appropriate to invest 5% of the Trust Fund in commodities investments. In order to do this, the Committee has filed a statement with the Commodities Futures Trading Commission that it is not a commodities pool operator and therefore is not subject to the registration and regulatory requirements that apply to such entities. Each of these committees is a named fiduciary as that term is used in ERISA. Intel's Board of Directors appoints the members of each of these committees. The Retirement Plans Administrative Committee has delegated day to day operating responsibility to Intel's Global Retirement Program Office and has contracted with Fidelity Investments to provide Plan recordkeeping services. To obtain additional

information about the Plan and its administrators, you may contact the Fidelity Service Center. See “Resources” in this chapter for more information.

18.8.2 Future of the Plans

Intel intends to continue the 401(k) Savings Plan, Retirement Contribution Plan and Minimum Pension Plan but reserves the right to amend or terminate any of the Plans, in its sole discretion, at any time. The procedures for amending and terminating the Plans are set forth in the plan documents. If any material changes are made in the future, you will be notified. Any changes made to the Plans will not reduce any amounts already in your account.

18.8.3 Plan Termination

Minimum Pension Plan termination

If the Minimum Pension Plan is terminated, the company is required to pay only the amount in the Trust Fund toward covered benefits. See “Pension Benefit Guaranty Corporation (PBGC)” in this chapter for more information. You may obtain additional information on the PBGC insurance protection and limitations, write to the PBGC.

Inquiries to the PBGC should be addressed to the following:

Office of Communications PBGC
1200 K Street NW, F14
Washington, D.C. 20005-4026
800-326-4000

Retirement Contribution Plan and 401(k) Plan termination

If the Retirement Contribution Plan or 401(k) Plan is terminated, Intel will comply with the tax rules governing termination by treating all participant account balances as fully vested for all employees who are participants on the date of termination.

18.8.4 ERISA Rights

As a participant in the Plan you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to the information and rights listed below.

18.8.5 General Information about your Plans and Benefits

You are entitled to the following:

- Examine, without charge, at the plan administrator's office and at other specified locations, such as worksites, all documents governing the Plan, including insurance contracts, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration
- Obtain, upon written request to the plan administrator, copies of documents governing
- the operation of the Plan, including insurance contracts, and copies of the latest annual report (Form 5500 Series) and updated summary plan

description. The administrator may make a reasonable charge for the copies

- Receive a summary of the plan's annual financial report. The Plan administrator is required by law to furnish each participant with a copy of this summary annual report
- Obtain a statement telling you whether you have a right to receive a pension at normal retirement age (age 65) and if so, what your benefits would be at normal retirement age if you stop working under the Plan now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once every 12 months. The Plan must provide the statement free of charge

Prudent actions by Plan fiduciaries

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called “fiduciaries” of the Plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension or welfare benefit or exercising your rights under ERISA.

Enforce your rights

If your claim for a pension or welfare benefit is denied or ignored, in whole or in part, you have a right to know

why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator.

If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in federal court.

If it should happen that plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with your questions

If you have any questions about your Plan, you should contact the plan administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the

plan administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Questions about the Plans

Contact your Plan Administrator at the following address:

Intel Corporation
Attn: Retirement Plans Administrative Committee
1900 Prairie City Road, FM3-224
Folsom, CA 95630
Fidelity Service Center 1-888-401-7377

Agent for service of legal process

General Counsel Intel Corporation
2200 Mission College Blvd
Santa Clara, CA 95052

Service of legal process may also be made upon the Trustee.

Trustee information

Intel Master Trust
State Street Bank & Trust Company
One Lincoln Street
Boston, MA 02111

Plan sponsor information

Intel Corporation
1900 Prairie City Road, FM3-224
Folsom, CA 95630
EIN: 94-1672743

General Plan information

Intel Retirement Contribution Plan

Plan number 001
Plan effective date July 1, 1979
The Plan year begins on January 1 and end on
December 31
Type of Plan and Plan Funding: This plan is a defined
contribution pension plan. The plan is funded by Intel
contributions. These contributions are deposited into
individual accounts established on each participant's
behalf.

Intel Minimum Pension Plan

Plan number 002
Plan effective date January 1, 1988
The Plan year begins on January 1 and ends on
December 31
Type of Plan and Plan Funding: This plan is a defined
benefit pension plan. The plan is funded by Intel
contributions. These contributions are actuarially
determined.

Intel 401(k) Savings Plan

Plan number 003
Plan effective date July 1, 1979
The Plan year begins on January 1 and ends on
December 31

Type of Plan and Plan Funding: This plan is a 401(k) plan. The plan is funded by employee contributions and non-matching discretionary employer contributions. These contributions are deposited into individual accounts established on each participant's behalf.

EXHIBIT 3

**INTEL
401(k) SAVINGS PLAN
INVESTMENT POLICY STATEMENT**

**As amended and restated by the Investment Policy
Committee on January 12, 2017, effective from
January 12, 2017**

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PLAN DESCRIPTION

The Intel 401(k) Savings Plan (the “Plan”) was established by Intel Corporation (the “Company”) and provides eligible employees with the opportunity to save for retirement on a tax-deferred basis. The Plan includes both Company contributed and employee contributed assets for employees hired after January 1, 2011. Beginning January 1, 2015, all Company contributions for employees Grade 7+ (and equivalents) were made into their Plan accounts. The Plan includes an Employee Stock Ownership Plan (“ESOP”) which is designed to permit employee investment in common stock of the Company, subject to the conditions and limitations stated therein.

The Plan is qualified under section 401(a) of the Internal Revenue Code and is operated in compliance with the Employee Retirement Income Security Act (“ERISA”) of 1974, as amended. The Plan is a participant-directed individual account plan that is intended to constitute a plan described in section 404(c) of ERISA and Department of Labor Regulations Section 2550.404c-1. Neither the Investment Policy Committee (“IPC”) nor the Company, its directors, officers, employees, fiduciaries, and subsidiaries underwrite, warrant, guarantee, or in any way insure the performance of any investment option available through the Plan or any participants or beneficiaries against their individual or collective investment losses that may arise from their own decisions to invest in any or all of the Plan’s investment options.

STATEMENT OF PURPOSE

This Investment Policy establishes the investment beliefs, investment objectives, policies and guidelines for the management of the assets of the Plan and is intended to assist the IPC in supervising and ongoing monitoring of

those assets. In general, it is understood that this Investment Policy is intended to incorporate sufficient flexibility so as to accommodate current and future economic conditions and changes in applicable accounting, regulatory, and statutory requirements. The IPC recognizes that it may be necessary to deviate from the Investment Policy in order to respond to particular circumstances not contemplated by this Investment Policy, and therefore have the authority to take appropriate action in such circumstances on a case-by-case basis notwithstanding contrary provisions in the Investment Policy. This Investment Policy is designed to:

- state the *Investment Beliefs* of the IPC
- articulate *Roles and Responsibilities* for management and oversight of Plan investments;
- provide a mechanism to establish and review the Plan's *Investment Objectives and Guidelines*;
- identify *Manager Selection and Retention Criteria* that may be considered when selecting, monitoring and evaluating investment managers and providers; and
- specify the *Asset Allocation* policies and guidelines.

INVESTMENT BELIEFS

General

Historically, defined contribution ("DC") plans offered to participants have only included daily tradable assets. Alternative investments, which have been included as part of endowment/foundations and corporate defined benefit ("DB") plans multi-asset class portfolios, have been inaccessible to DC plans due primarily due to administrative limitations imposed by the record-keepers and the illiquidity of those assets. However, the IPC

believes that the inclusion of alternative investments within diversified multi-asset class portfolios (e.g. target date funds) has the potential to result in better managing risk/return outcomes for participants.

In consideration of the following beliefs, the IPC chooses to offer participants access to alternative investments through the 401(k) Plan's multi-asset class portfolios, and specifically in the Plan Target Date Funds. Recognizing that participants may not desire to invest their assets in multi-asset class portfolios or alternative asset classes, the IPC has also included an array of both active and passive investment choices which may, or may not reflect the investment beliefs of the IPC options to participants within the Plan.

General Investment Beliefs

The IPC believes that asset allocation is the most important factor in determining long-term performance. In general, decisions with respect to what asset classes and sub-asset classes to invest, and the allocations to these asset classes and sub-asset classes, have a greater impact on investment returns than decisions regarding which specific managers to invest.

Capital market projections of return, risk and correlation for use in portfolio construction are inputs to the fund's asset allocation. Although the IPC believes that capital markets are generally efficient, projections of risk, return and correlation require a judicious use of historical information, a critical assessment of current conditions, and insight into future trends and possible outcomes. While the quantification of returns, risks and correlations are necessary inputs in the design and review of investment strategy, the difficulty and limitation of these

assumptions means qualitative considerations are also important.

Global diversification across and within asset classes offers the opportunity to reduce total portfolio risk. By combining assets that vary in response to forces that drive markets, the IPC believes that investors can create more efficient portfolios. At a given risk level, properly diversified portfolios are expected to provide higher returns than less diversified portfolios. Conversely, through appropriate diversification, a given level of returns is expected to be achieved at lower risk.

The IPC understands that the Funds are exposed to various long-term and short-term investment risks which could result in variability of investment outcomes and even loss of principal.

The IPC believes in both active and passive management. Opportunities for active management exist to deliver excess returns, and/or to reduce risk, over a passive index. In fairly efficient markets, where information is disseminated quickly and new information is quickly absorbed into the market prices of a security, the opportunity for active management is smaller (than in less liquid and inefficient asset classes), and consideration should be given to investing in a low-cost passive index.

The IPC believes that manager selection represents a core competency of Company Staff ("Staff").

The Plan's liquidity policy is to meet the needs participants' benefits and plan operations on a daily basis for the short- and long-term needs. The asset allocation is managed to maximize returns and pay daily cash flows.

Performance results are measured net of fees and costs. Costs should be reasonable and linked to the long-term investment value creation. All fees should be

diligently monitored and managed in order to maximize net investment returns yearly. Reasonableness of fees is monitored for both active and passive management using third party data.

Strong governance processes, appropriate delegation, prudence and documentation are necessary elements of a successful investment program.

Additional considerations for multi-asset class portfolios are below that pertain to the RC Plan and 401(k) Plan.

For the Target Date Funds and the GDF, the IPC's approach to asset allocation is to minimize dispersion of outcomes for plan participants with a bias of downside protection implemented by reducing overall risk. Therefore, the default option or QDIA for participants is the Target Date Fund.

The IPC recognizes that the time horizon and risk tolerance of individual participants may vary widely which is why they include an array of multi-asset class portfolios with varying time horizons and levels of expected risk and return, which are offered along with single asset class portfolios (active and passive) that allow participants to choose and build their own diversified portfolios and incorporate their individual investment beliefs and objectives into those portfolios.

The IPC believes in custom multi-asset funds where appropriate. As opposed to multi-asset class portfolios provided by a single manager (e.g. mutual fund target date funds), the IPC's proprietary custom multi-manager multi-asset class funds potentially allow for a more tailored and flexible asset allocation including greater diversification across asset classes and strategies as well as access to high-quality managers within these asset classes and strategies. The products are constructed with

the objective of improving the likelihood of long-term income replacement in retirement.

Alternative investments such as real estate, private equity, venture capital, natural resources and hedge funds may offer diversification and/or enhanced returns. These risk-adjusted benefits may at times outweigh their liquidity impact and other concerns. Investments in this asset class are included after thoughtful deliberation due to the asset class' benefits for diversification and risk adjusted return benefits. The inclusion of this asset class may be somewhat unique to participant directed plans and thus, its benchmarking, monitoring and operational processes need to align.

The IPC can capitalize on its status as a long-term investor by making meaningful allocations to less liquid alternative investments, including hedge funds and private investments that provide skilled managers with excess return opportunities relative to public markets.

ROLES AND RESPONSIBILITIES

The IPC is designated as the named fiduciary with respect to the management and control of plan assets. The IPC has authority under the Plan to delegate any or all of its responsibilities, or to allocate such responsibilities to one or more of its members (each a "Member") or to another committee or to other third parties. Certain delegations are made in the Appendices to this Policy Statement. Wherever this policy authorizes or requires an action by the IPC, the action by an authorized delegate shall be sufficient.

The IPC has delegated to Staff the responsibility for maintaining and updating the metrics in the Appendices to reflect decisions of the IPC. Such updates shall be made

on a regular basis and the Appendices will be submitted to the IPC for its review on a periodic basis.

The persons authorized to enter into transactions or to give the Trustee investment direction with respect to any fund and to enter into or cause the Trustee to enter into investment management and other agreements related to the Plan investment choices are designated in Appendix A attached hereto.

Investment Policy Committee

Asset Management The IPC may manage the Plan assets, authorize Company personnel to manage Plan assets, and appoint external qualified investment managers or trustees to manage Plan assets, or any combination of the above with respect to part or all of the Plan assets. The IPC shall review the investment funds and managers, allocate assets within funds and between managers, appoint and replace any such funds or managers, and vote proxies. Standards and measurements applicable to external qualified investment managers shall also be applied to Company personnel managing Plan assets. The IPC will annually adopt Capital Market Expectations (“CME”) which will be the quantitative basis for modeling in regards to asset allocation.

Plan Expenses The IPC shall periodically review performance, costs and expenses of trustees and investment managers. The IPC shall consider the reasonableness of expenses incurred by the Plan, and shall consider total costs, including fund expense ratios and fund returns net of expenses (both relative to peer group), as well as administrative expenses paid by the Plan.

Investment Policy The IPC selects the investments for Plan assets, and determines the performance benchmarks, monitoring criteria, asset allocation and rebalancing criteria and similar metrics applicable to such investment choices, all in accordance with the provisions of this Investment Policy and as set forth in the Appendices. The IPC shall review this Investment Policy and the Appendices on a periodic basis.

Investment Subcommittee (“ISC”)

The Investment Subcommittee (“ISC”) as delegated by the IPC is responsible for investment decisions for the Plan assets. The ISC may work with Staff and/or consultants/third parties for investment decisions and may delegate research, analysis, and recommendations to these groups.

These decisions may include and are not confined to the following:

- definition of the investment strategies and philosophies;
- manager construction at each individual asset class within the asset allocation as defined by the IPC;
- ratification of manager selection;
- manager performance monitoring; and
- appointment and termination of custodian, advisors, consultants and other third parties hired by the 401(k) Plan.

Additionally, the ISC will propose to the IPC annually a formal adoption of CME that will be the basis for modeling with regard to asset allocation. The ISC is responsible for monitoring Staff performance and reporting Staff performance to the IPC annually. Additionally, the ISC will annually review and report out to the IPC on the reasonableness of fees, budgets,

performance of Staff and other third parties associated with the Plan. The ISC will provide a report to the IPC on investment activities and decisions on a periodic basis, which is expected to be quarterly.

Company Staff

The ISC may delegate to Staff certain investments activities These activities may include but are not confined to:

- development of investment strategies and philosophies for ISC approval;
- the proposed construction of managers within an asset class;
- the research and recommendation for appointing and termination of managers;
- the evaluation of manager performance; and
- other activities that the ISC chooses to delegate.

Additionally, Staff will manage day-to-day compliance and interface with the custodian, service providers and other third parties. Staff may utilize third parties and/or consultants to fulfill their responsibilities as well. Staff will annually report out to the ISC monitoring of custodian, consultants, service providers and other third parties.

Consultants or Other Third Parties

The IPC, ISC, or Staff may retain Consultants or Other Third Parties (“Vendors”) to fulfill specific responsibilities on behalf of the 401(k) Plan. Some examples of duties may include but are not confined to:

- asset allocation studies,
- performance/reporting/attribution analysis at the Plan level,
- demographic analysis for asset allocation analysis,

- Plan investment design recommendations,
- CME studies,
- evaluation of investment performance of investment managers and funds and the continuing appropriateness of each investment option and manager.

The retainer of the Vendors is responsible for ongoing monitor of performance and yearly evaluation.

Fiduciary Standards

Fiduciaries will discharge their responsibilities under the Plan in accordance with the standard of care set forth in ERISA.

Investment practices must comply with the terms of this Investment Policy, the Plan documents, the related trust agreements, and the limitations and requirements of ERISA and any other applicable laws and regulations. To the extent that this Investment Policy and any Plan documents conflict, the Plan document will control.

Conflict of Interest Policy

From time to time, in the ordinary course of business, the IPC may consider matters in which members of the IPC, or persons affiliated with them, have a direct or indirect financial interest. A Member may determine that in order to satisfy fiduciary requirements in such circumstances, it is necessary to abstain from voting, to recuse him- or herself from the portion of the meeting where such matter is discussed, or to take such other action as may be appropriate in the circumstances.

In order to resolve any questions of conflict of interest, whether real or apparent, the IPC adopts the following procedures. A Member of the IPC may request the IPC to

determine whether the Member has a real or apparent conflict of interest with respect to a matter. Such Member shall disclose to the IPC any relevant information of which he has knowledge that might give rise to a conflict of interest with respect to such matter. The IPC may make such further inquiry as it deems appropriate in order to make a determination. The IPC shall make a determination as to whether the Member shall participate in IPC deliberations on the matter in question, and whether the Member shall be entitled to vote on it. In the event that the IPC decides that a Member should not vote on the matter in question, the minutes of the meeting shall so reflect and such member shall not be counted in determining the quorum for the meeting.

INVESTMENT OBJECTIVES AND GUIDELINES

The Plan will provide a broad range of investment choices designed to accommodate the variety of goals, expectations, investment time horizons, and risk tolerance levels of plan participants. The investment choices will comply at all times with the applicable requirements of ERISA Section 404(c) and the regulations thereunder.

Participants will be given the flexibility to alter their investment choices for existing accounts and future contributions. Transfers of assets between investment options will be permitted daily, subject to Excessive Trading Rules adopted by the IPC. Participants will have access to current investment information designed to permit comparison of investment options by risk and return characteristics in order to make informed investment decisions. The IPC may also make available investment education materials and/or programs from time to time.

Additional information on Plan investment options are listed separately in the following appendices:

- *Appendix B – 401(k) Savings Plan Core Fund Tier*
- *Appendix C – 401(k) Savings Plan Target Date Fund and Retirement Contribution Target Date Fund Tier*
- *Appendix D – Brokerage Tier*
- *Appendix J – Global Diversified Fund and 401(k) Global Diversified Fund*

Default Investments

The IPC recognizes that in some cases participants may not select investments for their accounts. This may occur as a consequence of:

- the Plan's automatic enrollment features,
- the removal of an investment choice from the Plan and an invested participant's failure to respond to communications requesting that he or she make a new election prior to closure of the investment choice,
- the merger of a participant's account into the Plan from another plan, or
- other actions taken by the IPC.

In cases where a participant's account is merged from another plan, the IPC believes that it is important to balance capital preservation risk (the risk of capital loss) against longevity risk (the risk of outliving retirement savings). Accordingly, in keeping with the goal of long-term retirement savings, in circumstances where a participant has not selected an investment for part or all of his or her account, such uninvested portion shall be invested in the Plan TDF until the participant directs otherwise. In cases where the IPC elects to remove an

investment option from the Plan, the IPC will act in compliance with ERISA section 404(c).

MANAGER SELECTION AND RETENTION CRITERIA

The IPC will monitor the investment options and will add, remove, or change them as may be appropriate. The IPC considers a number of qualitative and quantitative factors when selecting and monitoring any investment option including those items listed on *Appendix: E Monitoring Criteria*.

PERFORMANCE MANAGEMENT AND BENCHMARKS

Performance will be monitored and reviewed over short and long-term time periods, with an emphasis on longer-term periods in order to include full market cycles and reflect the Plan's long-term investment objective. Performance will be reviewed on a net return basis and will include risk metrics and risk-adjusted returns.

A peer group of similar plans to benchmark multi-asset portfolio performance is difficult, given that the portfolios may have different investment objectives and include differing investments and strategies. There may be no single good measure, or peer group, to benchmark performance, for the Plan Target Date Funds and hence multiple benchmarks should be used.

Performance will be evaluated at three levels: total portfolio, asset class, and individual manager. The three levels will include a passive index and/or peer group measurement review. A comparison of plans with similar objectives and/or underlying investments and strategies, may be instructive, but should be referenced on a risk-

adjusted basis. Together, the risk-adjusted peer group comparison provides performance against a long-term return objective and policy benchmark to develop a reasonable basis for evaluating portfolio performance.

More detailed monitoring and benchmarking detail is available in *Appendix C – 401(k) Savings Plan Target Date Fund and Retirement Contribution Target Date Fund Tier*, *Appendix J – Global Diversified Fund*

RISK

The IPC's policy regarding investment risk, consistent with modern portfolio theory, is that risk cannot be eliminated, but should be managed. In particular, the level of risk taken should be consistent with the return objectives of the plan.

The IPC has set the framework for risk management through this Investment Policy and guidelines, the strategic asset allocation, and the benchmarks used for performance objectives. Tolerance for risk may be expressed in the form of various metrics for risk (e.g. volatility). Where appropriate, the IPC shall define these metrics for risk and establish acceptable ranges for them.

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

In general, the IPC believes that, consistent with its duty to act solely in the interest of participants and beneficiaries, the evaluation of managers or investment opportunities should be made solely on the basis of economic considerations (including considerations of risk) without regard to collateral non-economic benefits. However, the IPC acknowledges that in some cases the relevant economic considerations may include those that

derive from environmental, social, governance or similar considerations (“ESG”), and the existence of such considerations shall not by itself disqualify an investment opportunity.

Notwithstanding the foregoing, although the IPC does not have a quota for minority- and women-owned investment managers, the IPC believes that it is appropriate to seek out minority-and women-owned managers in its search process and, all other things being equal, may consider such ownership as a relevant hiring factor. Assuming that a manager otherwise meets the IPC’s hiring criteria in all respects, no additional documentation or evaluation shall be required to justify the engagement of a minority- or women-owned manager.

The fact that a manager or fund has an investment policy that seeks out, promotes or gives preference to ESG factors shall not, by itself, serve as a basis to disqualify the manager or fund from consideration, provided that the manager demonstrates that either (1) such factors are collateral to the economic considerations, i.e., under an all-things-equal test, or (2) such factors are intended by the manager to promote economically superior results (in terms of higher investment return or lower risk).

APPENDIX C – 401(K) SAVINGS PLAN TARGET DATE FUND AND RETIREMENT CONTRIBUTION TARGET DATE FUND TIER

The Target Date Funds and Retirement Contribution Target Date Funds are constructed from underlying multi-manager asset class pools, according to the Asset Allocation Glidepath as set forth below. The Target Date Fund and Retirement Contribution Target Date Fund underlying investments are monitored as described below and the asset allocation is monitored through the rebalancing criteria detailed in the table below.

Investment Options & Asset Class Pools

- ó Target Date Funds & Retirement Contribution Target Date Funds
 - a) Benchmark: The Target Date Fund benchmark is a composite of the underlying asset class benchmarks for each target date as set forth in the Asset Allocation Glidepath. The benchmark is adjusted quarterly according to the Asset Allocation Glidepath.
 - b) Objective: To exceed the return of the composite benchmark
 - c) Reference: The Target Date Funds are referenced against a target date fund universe, or category average, over a long-term horizon (full business cycle). Short-term deviations from this universe are expected.

2) Asset Class Pools

Asset Class	Benchmark
<u>GROWTH ASSETS</u>	
US Equity	
Large Cap	Russell 1000 Index
Small Cap	Russell 2000 Index
Non-US Equity	
Developed Markets	MSCI EAFE Investable Market Index
Emerging Markets	MSCI EM Investable Market Index
Global Equity	MSCI ACWI IMI
Growth Oriented Hedge Funds	HFRI Equity Hedge Index
Private Equity, Venture Cap, Distressed Debt, Nat Resources	State Street Private Equity Index
Real Estate	NCREIF
<u>DEFENSIVE ASSETS</u>	
Core Bonds	Barcap US Aggregate Bond Index
TIPs	Barcap US Treasury 1-10 Yr Index
Opportunistic Bonds	50% Citi WGBI/ 50% BofAML US HY Master II
Defensive Oriented Hedge Funds	HFRI FoF Conservative Index
<u>REAL ASSETS</u>	
Liquid Real Assets	50% Bloomberg Commodities Index/ 50% FTSE NAREIT Developed Index

Asset Allocation Glidepath

The Target Date Fund asset allocation will be adjusted quarterly according to the Asset Allocation Glidepath below.

A Target Date Fund and Retirement Contribution Target Date Fund, whose asset allocation converges to the final asset allocation 15 years past retirement, will be merged into the Target Date Income Fund and Retirement Contribution Target Date Income Fund, respectively. A new Target Date Fund and Retirement Contribution Target Date Fund will be introduced at 5 year intervals to target the new hire population as the legacy Target Date Funds and Retirement Contribution Target Date Funds roll down the asset allocation glidepath.

Age	Large Cap Pool	Small Cap Pool	International Pool	Global Equity Pool	Emerging Markets Pool	Growth Oriented Hedge Fund Pool	Defensive Oriented Hedge Fund Pool	Core Bond Pool	Opportunistic Bond Pool	Real Asset Pool	TIPS Pool	Stable Value Pool
20	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
21	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
22	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
23	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
24	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
25	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
26	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
27	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
28	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
29	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
30	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
31	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
32	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
33	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
34	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
35	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
36	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
37	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
38	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
39	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
40	28.2%	8.9%	12.4%	15.8%	9.7%	12.0%	3.0%	2.0%	3.0%	5.0%		
41	27.8%	8.7%	12.2%	15.6%	9.5%	12.0%	3.0%	2.5%	3.5%	5.2%		
42	27.4%	8.5%	12.0%	15.3%	9.4%	12.0%	3.0%	3.0%	4.0%	5.4%		
43	26.9%	8.4%	11.8%	15.1%	9.2%	12.0%	3.0%	3.6%	4.4%	5.6%		
44	26.5%	8.2%	11.6%	14.8%	9.1%	12.0%	3.0%	4.1%	4.9%	5.8%		
45	26.1%	8.0%	11.4%	14.6%	8.9%	12.0%	3.0%	4.6%	5.4%	6.0%		
46	25.6%	7.9%	11.2%	14.3%	8.7%	12.0%	3.2%	5.0%	5.8%	6.2%		
47	25.2%	7.8%	11.0%	14.1%	8.6%	12.0%	3.4%	5.5%	6.1%	6.4%		
48	24.7%	7.6%	10.8%	13.8%	8.4%	12.0%	3.6%	5.9%	6.5%	6.6%		
49	24.3%	7.5%	10.6%	13.6%	8.3%	12.0%	3.8%	6.4%	6.8%	6.8%		

Age	Large Cap Pool	Small Cap Pool	International Pool	Global Equity Pool	Emerging Markets Pool	Growth Oriented Hedge Fund Pool	Defensive Oriented Hedge Fund Pool	Core Bond Pool	Opportunistic Bond Pool	Diversified Real Asset Pool	TIPS Pool	Stable Value Pool
50	23.8%	7.4%	10.4%	13.3%	8.1%	12.0%	4.0%	6.8%	7.2%	7.0%		
51	23.3%	7.2%	10.6%	13.0%	7.5%	12.0%	4.6%	7.2%	7.2%	7.0%	0.4%	
52	22.7%	7.1%	10.8%	12.7%	6.9%	12.0%	5.2%	7.6%	7.2%	7.0%	0.8%	
53	22.2%	6.9%	11.1%	12.4%	6.2%	12.0%	5.8%	8.0%	7.2%	7.0%	1.2%	
54	21.6%	6.8%	11.3%	12.1%	5.6%	12.0%	6.4%	8.4%	7.2%	7.0%	1.6%	
55	21.1%	6.6%	11.5%	11.8%	5.0%	12.0%	7.0%	8.8%	7.2%	7.0%	2.0%	
56	20.5%	6.3%	11.4%	11.4%	4.6%	11.6%	7.6%	9.0%	7.0%	7.0%	3.2%	0.4%
57	19.9%	6.0%	11.3%	11.0%	4.1%	11.2%	8.2%	9.3%	6.7%	7.0%	4.4%	0.8%
58	19.3%	5.7%	11.3%	10.7%	3.7%	10.8%	8.8%	9.5%	6.5%	7.0%	5.6%	1.2%
59	18.7%	5.4%	11.2%	10.3%	3.2%	10.4%	9.4%	9.8%	6.2%	7.0%	6.8%	1.6%
60	18.1%	5.1%	11.1%	9.9%	2.8%	10.0%	10.0%	10.0%	6.0%	7.0%	8.0%	2.0%
61	17.7%	4.8%	10.8%	9.6%	2.7%	9.8%	10.2%	10.9%	5.9%	6.8%	8.4%	2.4%
62	17.3%	4.6%	10.4%	9.3%	2.6%	9.6%	10.4%	11.8%	5.8%	6.6%	8.8%	2.8%
63	16.8%	4.3%	10.1%	9.0%	2.6%	9.4%	10.6%	12.8%	5.6%	6.4%	9.2%	3.2%
64	16.4%	4.1%	9.7%	8.7%	2.5%	9.2%	10.8%	13.7%	5.5%	6.2%	9.6%	3.6%
65	16.0%	3.8%	9.4%	8.4%	2.4%	9.0%	11.0%	14.6%	5.4%	6.0%	10.0%	4.0%
66	15.6%	3.7%	9.2%	8.2%	2.3%	8.4%	11.6%	15.0%	5.0%	5.8%	10.0%	5.2%
67	15.2%	3.6%	8.9%	8.0%	2.3%	7.8%	12.2%	15.3%	4.7%	5.6%	10.0%	6.4%
68	14.8%	3.4%	8.7%	7.8%	2.2%	7.2%	12.8%	15.7%	4.3%	5.5%	10.0%	7.6%
69	14.4%	3.3%	8.4%	7.6%	2.2%	6.6%	13.4%	16.0%	4.0%	5.3%	10.0%	8.8%
70	14.0%	3.2%	8.2%	7.4%	2.1%	6.0%	14.0%	16.4%	3.6%	5.1%	10.0%	10.0%
71	13.9%	3.1%	8.1%	7.3%	2.1%	5.6%	14.4%	16.6%	3.2%	5.0%	10.0%	10.8%
72	13.8%	3.0%	8.0%	7.2%	2.0%	5.2%	14.8%	16.7%	2.9%	4.9%	10.0%	11.6%
73	13.7%	2.8%	7.8%	7.0%	2.0%	4.8%	15.2%	16.9%	2.5%	4.8%	10.0%	12.4%
74	13.6%	2.7%	7.7%	6.9%	1.9%	4.4%	15.6%	17.0%	2.2%	4.7%	10.0%	13.2%
75	13.5%	2.6%	7.6%	6.8%	1.9%	4.0%	16.0%	17.2%	1.8%	4.6%	10.0%	14.0%
76	13.1%	2.5%	7.4%	6.6%	1.8%	4.0%	16.0%	17.2%	1.8%	4.5%	10.0%	15.2%
77	12.6%	2.4%	7.1%	6.4%	1.8%	4.0%	16.0%	17.2%	1.8%	4.3%	10.0%	16.4%
78	12.2%	2.3%	6.9%	6.1%	1.7%	4.0%	16.0%	17.2%	1.8%	4.2%	10.0%	17.6%
79	11.7%	2.2%	6.6%	5.9%	1.7%	4.0%	16.0%	17.2%	1.8%	4.0%	10.0%	18.8%
80	11.3%	2.1%	6.4%	5.7%	1.6%	4.0%	16.0%	17.2%	1.8%	3.9%	10.0%	20.0%

Rebalancing

The Target Date Fund and Retirement Contribution Target Date Fund policy targets listed above shall be monitored periodically. If allocations deviate outside of the policy ranges set forth below, staff should rebalance to targets as needed.

- Any single pool deviates from its target by at least +/-5% or +/-50% of the target (e.g. target=5% of portfolio; triggers are 2.5% and 7.5% of portfolio)
- Total Defensive Assets (Opportunistic, Global Bond, TIPS, Stable Value, Defensive Hedge Funds) deviates by at least +/-5%
- Total Growth Assets not including Private Investments (Large Cap Equity, Small Cap Equity, International Equity, Global Equity, Emerging Equity) deviates by at least +/-5%
- Total Real Assets deviates by at least +/-5%
- Total US Equity (Large Cap & Small Cap) weight deviates by at least +/-5% of portfolio or 50% of target
- Total non-US Equity (International, Global, Emerging) weight deviates by at least +/-5% of portfolio or 50% of target
- Total Private Investments weight deviates by at least +/-10% of portfolio, at which point Staff/Vendor will seek direction from IPC on a potential rebalance

EXHIBIT 4

Release Date 12-31-2011

Global Diversified Fund

Benchmark 1
Blended Benchmark

Benchmark 2
S&P 500 TR

Investment Strategy

The investment seeks long-term growth of capital and current income.

The fund invests in a diversified portfolio of domestic and international equity funds, global bond and short-term investments, hedge funds, private equity, and real assets (e.g. commodities, real estate and natural resource-focused private equity), the combination of which can be varied based on market and economic conditions.

This investment is not a mutual fund but a collective investment fund that pools the assets of tax qualified employee benefit plans into a single fund with a common objective.

Morningstar Analyst Report as of 09-30-11

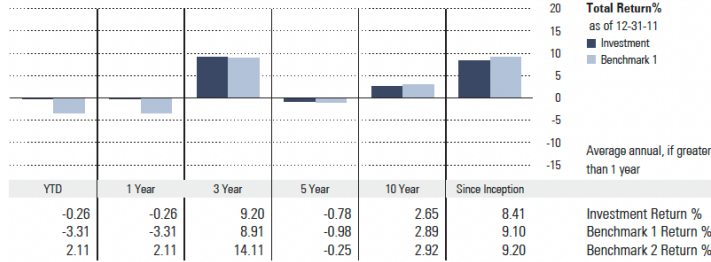
While this allocation fund is down in 2011 so far, it has held up better than its benchmark. For the year to date through September, the fund is down 3.2%, compared to

the blended index's loss of 6.3%. The fund's longer-term record is relatively strong, too. Its five-year annualized gain of 0.05% is ahead of bogey's loss of 0.25%.

The fund's more recent outperformance can be traced directly to changes made over the past year. The investment team has overhauled the asset allocation methodology to include more opportunistic strategies that while geared toward capital appreciation also aim to protect capital in down markets. Where the fund used to invest heavily in straight index funds, it now also devotes assets to global managers, such as International Value Advisers and Cantillon, who pay strict attention to stock valuations and take on less market risk than their competitors. At the same time, the fund has a sleeve of alternative strategies, which have the ability to go both long and short stocks, thereby mitigating sensitivity to market fluctuations. These components helped to cushion losses during a tumultuous third quarter, when markets were rocked by a narrowly avoided government shut-down, weaker-than-expected economic numbers, and a deepening sovereign crisis in Europe prompted investors to flee risky assets and pile into Treasuries.

This fund's steadier performance does come with a price, however. For starters, the fund's reduced market exposure is bound to serve as a drag when markets are experiencing rapid run-ups. Additionally, the fund's cost is higher than it used to be due to the fact that it invests less in passively run index funds and now devotes more to higher-cost actively run strategies. On balance, however, the improved diversification and opportunity set that these strategies offer are apt to outweigh their potential cost drag, awarding investors a more efficiently designed portfolio and help them experience a smoother ride.

Performance as of 12-31-11



Quarterly Returns as of 12-31-11

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2007	1.98	5.48	2.66	-1.19	9.12
2008	-6.61	-1.40	-11.42	-17.03	-32.32
2009	-7.73	12.50	10.71	2.91	18.26
2010	2.35	-4.23	7.61	4.67	10.40
2011	3.73	1.02	-7.67	3.10	-0.26

Performance Disclosure: The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate thus an investor's shares, when redeemed, may be worth more or less than their original cost.

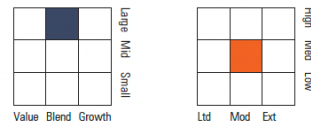
Current performance may be lower or higher than return data quoted herein. For more current information including month-end performance please call 888-401-SERP (7377) or visit www.401k.com. Please refer to the performance section of the disclosure page for more information.

Portfolio Analysis as of 12-31-11

Underlying Funds as of 12-31-11

	% Assets
Alternative Investments	36.19
International Stock	23.55
Global Bond Fund	21.96
Large Cap US Stock Fund	15.83
Small Cap US Stock Fund	2.47

Morningstar Style Box™ as of 12-31-11 (EQ), 12-31-11 (F-I)



Alternatives Fund Composition as of 12-31-11

	% Alt. Fund
Hedge Fund Composite	64.40
Private Equity/Venture Capital Composite	15.60
Commodities Composite	17.40
Real Estate Composite	2.60

State Street provides this data. Morningstar does not calculate it.

Top 10 Manager Strategies as of 12-31-11

	% Assets
Western Asset Management Bond	5.97
GMO Quality US Equity	5.51
American Century US Equity	5.40
BlackRock Russell 1000	5.22
BlackRock Emerging Markets	4.98
MacKay Shields Bond	4.78
Guggenheim Bond	4.29
BlackRock EAFE (International Stock)	4.22
IVA Worldwide	4.20
Lazard Emerging Market	4.15

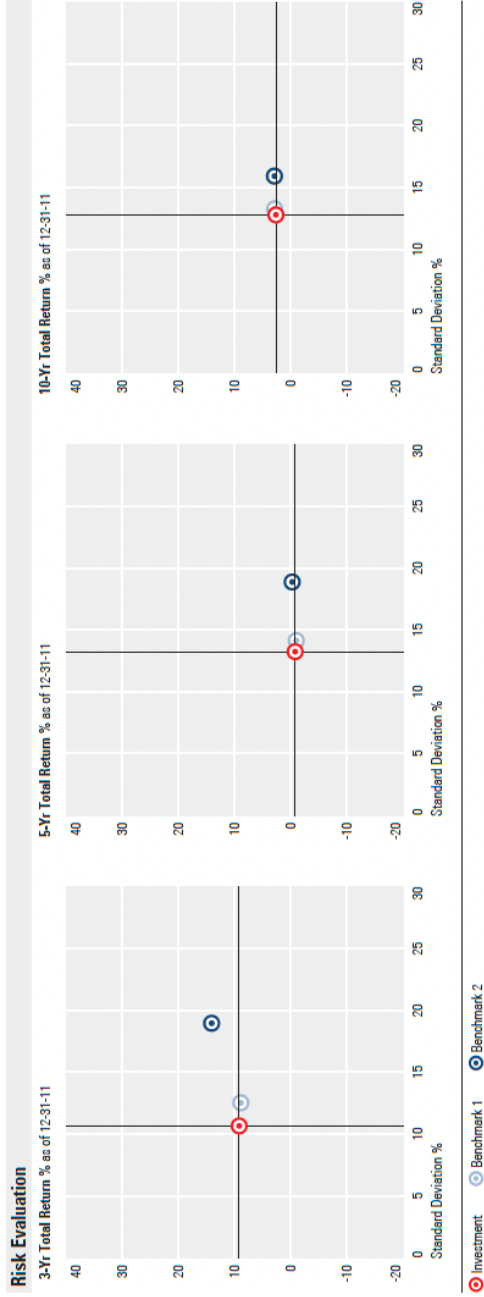
Morningstar Sectors as of 12-31-11

	% Fund
Cyclical	31.52
Basic Materials	7.57
Consumer Cyclical	8.52
Financial Services	13.95
Real Estate	1.48
Sensitive	39.77
Communication Services	4.39
Energy	8.90
Industrials	12.33
Technology	14.15
Defensive	28.72
Consumer Defensive	15.27
Healthcare	10.03
Utilities	3.42

Morningstar F-I Sector as of 12-31-11

	% Fund
Government	23.79
Corporate	15.80
Securitized	11.61
Municipal	0.42
Cash & Equivalents	35.60
Other	12.78

Additional information on the Underlying Funds and Manager Strategies is available under Fund Descriptions and/or in the respective core fund factsheets on 401k.com.



Fund Descriptions

Global Bond Fund

The fund seeks to provide investors protection from both deflation and inflation while providing current income. The fund targets 40% of assets in government and high-quality agency mortgage and corporate bonds to mitigate deflation risks, 15% in global inflation-indexed bonds to provide inflation protection, and 15% in international, high quality government and corporate bonds for diversification benefits. Residual 30% is invested in opportunistic bond strategies such as emerging market debt, high yield, asset/mortgage backed securities and corporate credit, to enhance return and provide diversification.

International Stock

The investment seeks to provide exposure to international developed and emerging market stocks, the combination of which varies from an equal weighting to an all developed market mix at retirement. The investment seeks to match or exceed the performance of the MSCI All Country World Index ex-US Index, a market capitalization index designed to measure equity market performance of international developed and emerging market countries.

Large Cap U.S. Stock Fund

The fund seeks to match or exceed the performance of the Russell 1000 Index®, an index designed to measure performance of the broad domestic economy through changes in the aggregate market value of the largest 1,000 domestic stocks. The Russell 1000 Index® focuses on the large and mid capitalization segment of the market, with approximately 90 percent coverage of U.S. stocks.

Small Cap U.S. Stock Fund

The fund seeks to match or exceed the performance of the Russell 2000® Index, a free float-adjusted market capitalization index representing 2000 small company stocks of U.S. domiciled companies. The investment seeks to provide long-term capital growth.

Alternatives

Alternative investments represent a broad category of non-traditional asset classes which seek to enhance the risk and return characteristics of an investment portfolio. Alternative investments have the ability to invest in a wider opportunity set to enhance return, and have the potential to reduce risk by investing in assets with low correlation to traditional assets such as stocks and bonds. Alternative investment managers may also buy and sell short securities to hedge out portfolio exposures.

Hedge funds are broadly categorized into two manager trading strategies. Absolute return hedge funds seek to deliver positive returns under all market conditions. Directional hedge funds seek to provide comparable returns to the equity markets with significantly lower volatility. The funds can buy and short sell securities, and invest in non-traditional securities, such as currencies, structured products, and derivative instruments. The funds aim to exceed the performance of the HFRI Fund of Funds Composite Index.

Commodities seek to provide a long term hedge against inflation. The commodity portfolio is comprised of investments intended to both track and outperform a blend of broad market indices, including the DJ-UBS Commodity index. Distressed debt strategies target investments in companies experiencing financial difficulty. Strategies include financial

restructuring/engineering and control/ownership investing.

Private real estate investments are split among funds that focus on investing in properties that require some re-positioning (e.g. renovations, lease restructurings) and funds that are development-oriented. These investments are expected to provide a hedge against inflation with a portion of their returns being generated from current income. Return enhancement and diversification benefits are also expected from the capital appreciation of the assets.

Private energy investments are in funds that provide exposure to hydrocarbon reserves, infrastructure, and energy services. Opportunities are considered on a global basis and will include exposure to natural resources located in emerging markets. These investments are expected to produce returns that provide a balance of inflation protection and capital appreciation.

Private equity investments provide working capital to a target company to nurture expansion, new product development, or restructuring of the company's operations, management, or ownership. Among the most common investment strategies in private equity are growth capital, venture capital and leveraged buyouts.

Operations

Expense Ratio	0.90% of fund assets
Fund Inception Date	01-03-89
Total Plan Assets (\$mil)	4,540.93

Index Composition

The index is adjusted quarterly to reflect the fund's target allocation for each asset class: Russell 1000 & 2000 for Large & Small Cap US Stock, MSCI ACWI ex US for International Stock, Barcap US Agg Bond for Global Bond, HFRI FoF Composite for Hedge Fund, FTSE NAREIT for Real Estate, Russell 3000+300bps for Pvt Eq/Venture, and DJ UBS Commodity for Commodities.

Investment Overview from Intel

The Global Diversified Fund invests in a diversified portfolio of stocks, bonds, and alternative investments with the objective of providing an optimal long term risk-adjusted return to participants within Intel's Profit Sharing Plan. The Fund is managed by the Investment Policy Committee of Intel Corporation which maintains discretion regarding the Fund's asset allocation. At this time, the Committee manages the Fund's exposures by allocating to other funds managed by the Investment Policy Committee. These underlying funds include the Intel Global Bond Fund, the Intel Large Cap US Stock Fund, the Intel Small Cap US Stock Fund and the Intel International Stock. (Additional information regarding the underlying funds can be found within their respective Morningstar Fact Sheets.) These underlying Intel funds in turn allocate to external asset managers believed to be superior within their respective areas of expertise. The fund also invests in alternative assets as detailed below and on page 1 of this fact sheet. These asset managers have the ultimate responsibility to purchase and sell individual securities within their respective portfolios.

Recognizing that different asset classes perform better or worse during various economic environments, the fund is diversified across numerous investment

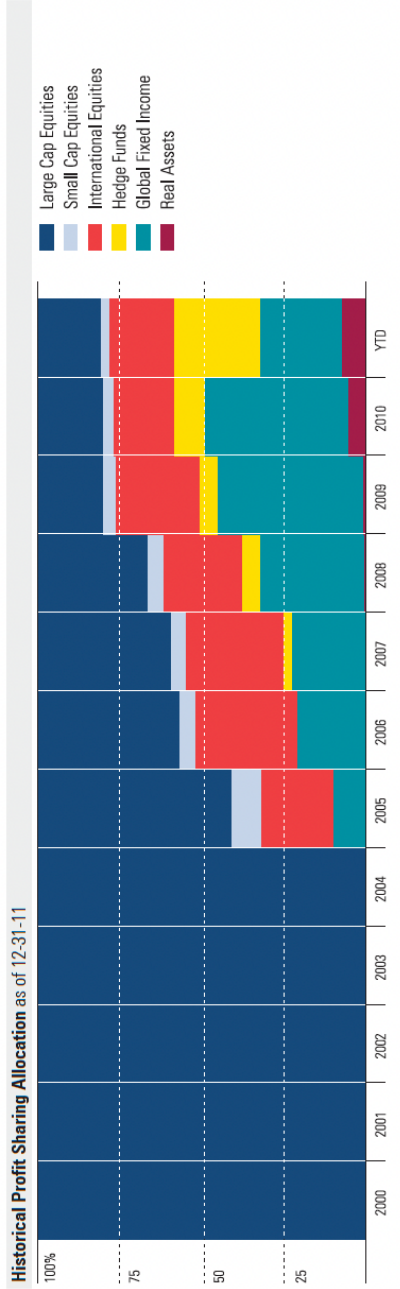
categories. This diversification is intended to dampen the impact any one investment category has on the total performance of the Global Diversified Fund. Over a full market cycle the Fund seeks to achieve a 5% return in excess of inflation while not assuming undue risk. Both the fund's asset allocation and use of active management are designed to achieve the return objective while limiting expected volatility.

The Fund invests globally to both traditional and alternative asset classes. Accordingly, the current target asset allocation of the Global Diversified Fund is comprised of 35% Global Equity (Long-only), 25% Hedge Funds; 25% Global Fixed Income (Bonds), 10% Real Assets (e.g. Commodities, Real Estate and Natural Resource-focused Private Equity), and 5% Private Equity. The Global Diversified Fund seeks to provide participants with exposure to top tier investment managers in a diversified and cost effective manner. It offers individual investors an asset blend including alternative assets, which may not be ordinarily available to them. These assets include commodities, real estate, private equity and hedge funds. The objective of these alternative assets is to provide exposure to investments which have a low (or negative) correlation to the broad equity and fixed income markets, providing further diversification to the Fund.

The Fund may deviate from its long term strategic asset allocation from time to time at the sole discretion of the Investment Committee. The strategic allocation can and will change over time to accommodate changing conditions. For instance, until 2005 the Global Diversified Fund was exclusively invested in U.S. large cap equities (S&P 500). After a comprehensive asset allocation analysis, the Committee decided to diversify the Fund by

allocating to international equities, small capitalization equities, alternative assets and fixed income in an effort to provide enhanced risk-adjusted returns. Following the financial crisis, which caused increased levels of volatility within the U.S. equity market, the Fund diversified further into Global Fixed Income. Most recently, the Committee elected to increase the Global Equity Funds' exposure to Hedge Funds and International Emerging Market Stocks for both return enhancing and diversification purposes.

The Investment Policy Committee believes that the new asset allocation of the Global Diversified Fund provides an improved balance between risk and reward through enhanced diversification. Relative to a portfolio of U.S. equities, the Fund's asset allocation is expected to result in lower volatility for participants as well as higher relative performance in certain economic scenarios. Finally, the portfolio is designed to mitigate the risk of dramatic declines resulting from U.S. equity market volatility, thus providing better protection for participants. The Committee will continue to actively monitor the asset allocation of the Fund in light of changing conditions in the capital markets.



Allocation By Asset Class as of 12-31-11

	Mkt Value (\$mil)	Allocation (%)	Mkt Value (\$mil)	Allocation (%)	Mkt Value (\$mil)	Allocation (%)
Global Equity	3,082.49	67.88	1,137.63	25.05	321.57	7.08
Hedge Funds	1,039.09	22.88	314.88	6.93	233.15	5.13
Large Cap Domestic	732.63	16.13	152.27	3.35	46.71	1.03
International Developed Markets	548.34	12.08	162.42	3.58	41.72	0.92
Emerging Markets	520.82	11.47	111.66	2.46		
Small Cap Domestic	112.23	2.47	122.53	2.70		
Private Equity/Venture Capital	129.39	2.85	101.51	2.24		
			172.57	3.80		
			0.00	NaN		
Global Fixed Income						
Global Government Bonds						
Securitized						
Investment Grade Credit						
Global Tips						
Distressed Debt Alternatives						
Real Assets						
Commodity Futures						
Private Natural Resources						
Private Real Estate						

Disclosure

When used as supplemental sales literature, the Investment Profile must be preceded or accompanied by the fund's current prospectus as well as this disclosure statement. The performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares when redeemed may be worth more or less than the original investment. Fund portfolio statistics change over time. The fund is not FDIC-insured, may lose value and is not guaranteed by a bank or other financial institution.

Performance

Total return reflects performance without adjusting for sales charges or the effects of taxation, but is adjusted to reflect all actual ongoing fund expenses and assumes reinvestment of dividends and capital gains. If adjusted, sales charges would reduce the performance quoted.

The fund's performance is compared with that of an index. The index is an unmanaged portfolio of specified securities and the index does not reflect any initial or ongoing expenses. A fund's portfolio may differ significantly from the securities in the index.

Morningstar Fixed-Income Style Box

For fixed-income funds, the vertical axis shows the credit quality of the long bonds owned and the horizontal axis shows interest rate sensitivity as measured by a bond's effective duration.

Morningstar seeks credit rating information from fund companies on a periodic basis (e.g., quarterly). In compiling credit rating information, Morningstar instructs fund companies to only use ratings that have been assigned by a Nationally Recognized Statistical

Rating Organization (NRSRO). If two NRSROs have rated a security, fund companies are to report the lowest rating; if three or more NRSROs have rated the same security differently, fund companies are to report the rating that is in the middle. For example, if NRSRO X rates a security AA-, NRSRO Y rates the same security an A and NRSRO Z rates it a BBB+, the fund company should use the credit rating of 'A' in its reporting to Morningstar. PLEASE NOTE: Morningstar, Inc. is not itself an NRSRO nor does it issue a credit rating on the fund. An NRSRO rating on a fixed-income security can change from time-to-time.

For credit quality, Morningstar combines the credit rating information provided by the fund companies with an average default rate calculation to come up with a weighted-average credit quality. The weighted-average credit quality is currently a letter that roughly corresponds to the scale used by a leading NRSRO. Bond funds are assigned a style box placement of "low", "medium", or "high" based on their average credit quality. Funds with a low credit quality are those whose weighted-average credit quality is determined to be less than "BBB-"; medium are those less than "AA-", but greater or equal to "BBB-"; and high are those with a weighted-average credit quality of "AA-" or higher. When classifying a bond portfolio, Morningstar first maps the NRSRO credit ratings of the underlying holdings to their respective default rates (as determined by Morningstar's analysis of actual historical default rates). Morningstar then averages these default rates to determine the average default rate for the entire bond fund. Finally, Morningstar maps this average default rate to its corresponding credit rating along a convex curve.

For interest-rate sensitivity, Morningstar obtains from fund companies the average effective duration. Generally, Morningstar classifies a fixed-income fund's interest-rate sensitivity based on the effective duration of the Morningstar Core Bond Index (MCBI), which is currently three years. The classification of Limited will be assigned to those funds whose average effective duration is between 25% to 75% of MCBI's average effective duration; funds whose average effective duration is between 75% to 125% of the MCBI will be classified as Moderate; and those that are at 125% or greater of the average effective duration of the MCBI will be classified as Extensive.

For municipal bond funds, Morningstar also obtains from fund companies the average effective duration. In these cases static breakpoints are utilized. These breakpoints are as follows: (i) Limited: 4.5 years or less; (ii) Moderate: more than 4.5 years but less than 7 years; and (iii) Extensive: more than 7 years. In addition, for non-US taxable and non-US domiciled fixed income funds static duration breakpoints are used: (i) Limited: less than or equal to 3.5 years; (ii) Moderate: greater than 3.5 and less than equal to 6 years; (iii) Extensive: greater than 6 years.

Risk Measures

Beta is a measure of a fund's sensitivity to market movements. A portfolio with a beta greater than 1 is more volatile than the market, and a portfolio with a beta less than 1 is less volatile than the market.

Standard deviation is a statistical measure of the volatility of the fund's returns.

Investment Risk

Foreign Securities Funds/Emerging Market Funds: The investor should note that funds that invest in foreign securities involve special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Sector Funds: The investor should note that funds that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

Non-Diversified Funds: The investor should note that funds that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

Small Cap Funds: The investor should note that funds that invest in stocks of small companies involve additional risks. Smaller companies typically have a higher risk of failure, and are not as well established as larger blue-chip companies. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.

Mid Cap Funds: The investor should note that funds that invest in companies with market capitalizations below \$10 billion involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

High-Yield Bond Funds: The investor should note that funds that invest in lower-rated debt securities (commonly referred to as junk bonds) involve additional risks because of the lower credit quality of the securities

in the portfolio. The investor should be aware of the possible higher level of volatility, and increased risk of default.

Tax-Free Municipal Bond Funds: The investor should note that the income from tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax.

Fund of Funds: It is important to note that an investment option with mutual funds in its portfolio may be subject to the expenses of those mutual funds in addition to those of the investment option itself.

LifeCycle Risk

Target-date funds typically invest in other investments and are designed for investors who are planning to retire during the target date year. The fund's target date is the approximate date of when investors expect to begin withdrawing their money. A Target-date fund's investment objective/strategy typically becomes more conservative over time primarily by reducing its allocation to equity investments and increasing its allocations in fixed-income investments. An investor's principal value in a target-date fund is not guaranteed at anytime, including at the fund's target date.

Additional Information

For more information about this fund, visit www.401k.com, or call 888-401-SERP (7377). Investment objectives, risks, charges, expenses, and other important information about a fund are contained in the prospectus; read it carefully before investing.

Fund Specific Notes

Global Diversified Fund

Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation. Unit price, yield and return will vary.

This fund is administered pursuant to directions from the Intel Corporation Investment Policy Committee (IPC), which provided the description for this investment option.

401K Global Diversified Fund

Fixed income investments are diversified across nominal and inflation-linked bonds issued by the U.S. government, foreign governments, corporations and other entities. In general, bond prices rise when interest rates fall, and vice versa. This effect is usually more pronounced for longer-term securities. Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation. Unit price, yield and return will vary.

This fund is administered pursuant to directions from the Intel Corporation Investment Policy Committee (IPC), which provided the description for this investment option.

Retirement Contribution Target Date Funds

The funds are managed to gradually become more conservative over time as they approach their target date. The investment risk of each Retirement Contribution Target Date Fund changes over time as its asset allocation changes. They are subject to the volatility of the financial

markets, including that of equity and fixed income investments in the U.S. and abroad, and may be subject to risks associated with investing in high-yield, small-cap, and foreign securities. Principal invested is not guaranteed at any time, including at or after their target dates. Unit price, yield and return will vary.

This fund is administered by the Intel Corporation Investment Policy Committee (IPC), which provided the description for this investment option.

Stable Value Fund

Lower-quality debt securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. In general the bond market is volatile, and bond funds entail interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Bond funds also entail the risk of issuer or counterparty default, issuer credit risk, and inflation risk. Unit price, yield and return will vary.

The Stable Value Fund is an individually managed account. It is not a mutual fund. It is managed by BNY Mellon Asset Management Company, LLC. Intel provided the description.

The Fund strives to provide principal stability, but cannot guarantee that it will be able to do so, and its yield will fluctuate.

Stable Value Fund (401k)

Lower-quality debt securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. In general the bond market is volatile, and bond funds entail interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term

securities.) Bond funds also entail the risk of issuer or counterparty default, issuer credit risk, and inflation risk. Unit price, yield and return will vary.

The Stable Value Fund is an individually managed account. It is not a mutual fund. It is managed by BNY Mellon Asset Management Company, LLC. Intel provided the description.

The Fund strives to provide principal stability, but cannot guarantee that it will be able to do so, and its yield will fluctuate.

You are not permitted to make a direct exchange from the Stable Value Fund to the Fidelity U.S. Treasury Money Market Fund (considered a "competing fund"). Before exchanging from the Stable Value Fund to the Fidelity U.S. Treasury Money Market Fund, you must first move the assets to a "non-competing fund" for 90 days. While these requirements may seem restrictive, they are typically imposed by issuers, such as insurance companies, banks, or other approved financial institutions, as a condition for issuing investment contracts to retirement plans. Investments in the Stable Value Fund are not guaranteed by BNY Mellon Asset Management, LLC, or the plan sponsor, and are not insured by the FDIC.

Global Bond Fund

This fund is administered pursuant to directions from the Intel Corporation Investment Policy Committee (IPC), which provided the description for this investment option.

Although a separate prospectus is not available, participants have access to detailed information about the Global Bond Fund via Fidelity NetBenefits®. To view the performance of this investment option, visit NetBenefits®

at www.401k.com. Once you enter your SSN or Customer ID and PIN, select SERP 401(k) > Investment Choices and Research. For more detailed information, select the Quarterly Fund Fact Sheets link within Employer News on the home page. Information on this investment option was provided by Intel Corporation.

Intel Stock Fund

The Intel Stock Fund is not a mutual fund and is neither a managed nor diversified investment option. Since the fund invests in only one stock, a portfolio manager does not actively manage this investment option. Information on this investment option was provided by Intel Corporation.

International Stock

This fund is administered pursuant to directions from the Intel Corporation Investment Policy Committee (IPC), which provided the description for this investment option.

The Morgan Stanley Capital International Europe, Australasia and Far East Index (MSCI EAFE) is an unmanaged market capitalization-weighted index designed to represent the performance of developed stock markets outside the United States and Canada.

Large Cap U.S. Stock Fund

The Russell 1000® Index is an unmanaged market capitalization-weighted index measuring the performance of the 1,000 largest companies in the Russell 3000® Index and is an appropriate index for broad-based large-cap funds.

Lazard Emerging Markets

Managed by Lazard Asset Management, which provided the description for this fund.

Target Date Funds

The funds are managed to gradually become more conservative over time as they approach their target date. The investment risk of each Target Date Fund changes over time as its asset allocation changes. They are subject to the volatility of the financial markets, including that of equity and fixed income investments in the U.S. and abroad, and may be subject to risks associated with investing in high-yield, small-cap, and foreign securities. Principal invested is not guaranteed at any time, including at or after their target dates. Unit price, yield and return will vary.

This fund is administered pursuant to directions from the Intel Corporation Investment Policy Committee (IPC), which provided the description for this investment option.

SSgA Active Emerging Markets Non-Lending Series Fund- Class B

Foreign securities are subject to interest-rate, currency-exchange-rate, economic, and political risks, all of which are magnified in emerging markets. Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Unit price and return will vary.

Managed by State Street Global Advisors, which provided the description for this fund.

SSgA Nasdaq-100 Index® Non-Lending Series Fund - Class A

The fund employs full replication, holding stocks in proportion to their weight in the NASDAQ 100 Index. Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer,

political, regulatory, market, or economic developments. Sector funds can be more volatile because of their narrow concentration in a specific industry. Unit price and return will vary.

This fund is managed by SSgA, who provided the description for this fund.

Small Cap U.S. Stock Fund

This investment is not a mutual fund but a collective investment that pools the assets of tax qualified employee benefit plans into a single fund with a common objective.

Goal: The investment seeks to provide long-term capital growth.

This fund is administered pursuant to directions from the Intel Corporation Investment Policy Committee (IPC), which provided the description for this investment option.

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EXHIBIT 5



3Q 09.30.15

Global Diversified Fund

Objective

The Fund seeks to earn a 5% return in excess of US inflation.

Investment Strategy

- The Global Diversified Fund is an enhanced asset-allocation fund that invests in a mix of domestic and international equity funds, global bonds and short-term investments, hedge funds, private investments, and real assets (e.g., commodities, real estate and natural resource-focused private equity).
- The current targeted asset allocation for this fund is 18.5% domestic stocks, 21.5% international/global stocks, 10% global bonds, 5% inflation-protected bonds, 5% liquid real assets, 20% hedge funds and 20% private investments. AB, the investment manager of this Fund, believes that it will take more than 12 months to rebalance the Fund to these targets, based on current market conditions and other factors.

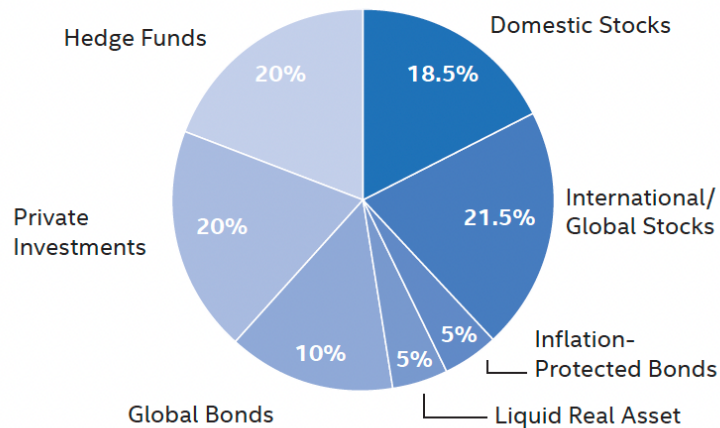
Primary Investments

- A mix of domestic and international equity funds, global bonds and short-term investments, hedge funds, private investments and real assets (e.g.,

commodities, real estate and natural resource-focused private equity).

- Hedge funds are an investment component of the Global Diversified Fund. They are composed of an array of investment strategies that include Equity Hedged and Absolute Return. Equity Hedged seeks to maintain both long and short positions in primarily equity and equity-derivative securities. Absolute Return hedge funds seek to deliver returns using investment strategies and rely far less on market returns.
- Private investments are another investment component of the Fund and are composed of equities, fixed income, real estate and natural resource companies in the private market as opposed to the public market. The typical investor in private investments commits large sums of capital for long periods of time. Private investment firms may try to improve the financial results and prospects of the company behind the investment in the hope of adding value to the investment.
- This investment is not a mutual fund, but a collective investment that pools the assets of tax-qualified employee benefit plans into a single fund with a common objective. Some of the strategies used in the Fund, such as private investments, are exposed to liquidity risk. This is the risk that investments cannot be traded easily without penalties, particularly during times of market crisis.

Target Asset Allocation*



* Target allocations as of 4/30/15. The Fund's investment manager believes that it will take more than 12 months to rebalance the Fund to these targets, based on current market conditions and other factors.

The investment option is a custom strategy fund. This description is only intended to provide a brief overview of the fund.

Although a separate prospectus is not available, participants have access to detailed information about the Global Diversified Fund via Fidelity NetBenefits®. To view the performance of this investment option, visit NetBenefits® at www.netbenefits.com/intel. Information on this investment option was provided by AB, which manages the fund.

This investment option is not a registered mutual fund.

Manager Summary

Intel has selected AB to help manage this Fund. In this role, AB designs, monitors and adjusts the Fund's asset mix. AB also rebalances the Fund's portfolio to keep it on track, and performs other investment-related services. AB and Intel have partnered with Morningstar on the production of these fact sheets, as well as the Fund ratings, categorization and analyst commentary included here.

Morningstar Analyst Report as of 09/30/2015

In 2014, investors didn't benefit from broad diversification. US stocks outperformed non-US companies. Abroad, emerging markets struggled, lagging well behind their developed-market counterparts. Investors weren't rewarded for taking on risk within domestic markets, either. Small-cap stocks underperformed large-cap, and high-yield bonds lagged Treasuries. The S&P 500 Index was a star performer in 2015, as was the Barclays Aggregate Bond Index. Investors were rewarded well for sticking to a plain-vanilla index approach.

Amid such a market environment, this fund looked relatively sluggish, gaining 4.6% in 2014 and up 1.1% in the first quarter of 2015. Its exposures to alternatives and private equity contributed, but failed to lift the fund above the MSCI World Index. The portfolio also held 27% in international equities, a significant portion of which was composed of emerging markets. The MSCI benchmark holds fewer emerging-market stocks and devotes less to international stocks overall. The recent underperformance hasn't helped the fund's longer term record, either, with its three- and five-year returns falling

short of the MSCI World by more than 250 basis points on an annualized basis.

Going forward, this fund is less apt to look out of step with conventional balanced funds or its secondary benchmark. Indeed, AB now oversees its asset allocation and has begun to make some changes, allocating more to US stocks, while taking down the hedge-fund stake. The fund will also see its private equity allocation go up to 20% by year end, while fixed income will drop by 5%. The tweaks don't mean this fund will lose its innovative makeup. We think the portfolio's diversification across a broad spectrum of equities and fixed income, as well as its exposure to alternatives, including commodities and private equity, will position it well for varying market conditions going forward. This remains a great one-stop shop for investors seeking exposure to an array of asset classes for income, capital appreciation and inflation protection.

Performance Summary*

	QTD	YTD	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception
Global Diversified Fund	-3.75%	-1.30%	-0.94%	5.77%	6.05%	3.89%	8.20%
Global Diversified Composite Benchmark[†]	-5.02	-1.84	-1.96	4.90	4.83	4.12	8.83
MSCI World Net Index	-8.45	-6.04	-5.09	8.58	8.29	4.73	6.30
Category Average	—	—	—	—	—	—	—
Sharpe Ratio	—	—	-0.26	1.46	1.12	—	—
Morningstar Rating	—	—	—	—	—	—	—
Number of Funds in Category	—	—	—	—	—	—	—

* The Fund's inception date is 01/01/1989. Performance is presented net of fees. Periods of less than one year represent cumulative returns.

† The benchmark for the Global Diversified Fund is a customized benchmark that has the same asset allocation as the Fund's target asset allocation and uses index returns to represent performance of the asset classes. The benchmark returns were calculated by weighting the monthly index returns of each asset class by the Fund's monthly target allocation for each asset class. Effective April 30, 2015, the Russell 1000 TR Index is used to represent Large Cap US Stock, the Russell 2000 TR Index is used to represent the Small Cap US Stock, the MSCI EAFE IMI NR UH Index is used to represent the International Stock, the MSCI ACWI IMI NR UH Index is used to represent the Global Stock, the MSCI EM IMI NR UH Index is used

Quarterly Returns as of 09/30/2015

	1Q	2Q	3Q	4Q	Annual
2011	3.73%	1.02%	-7.87%	3.10%	-0.26%
2012	6.17	-2.02	4.38	1.78	10.52
2013	3.87	-0.11	2.89	4.33	11.38
2014	2.47	2.98	0.01	0.47	6.04
2015	1.29	0.88	-3.75	—	—

Trailing Returns as of 09/30/2015

	Total Return %	+/- Benchmark	+/- Category
1 Year	-0.94%	1.02%	—
3-Year Avg.	5.77	0.87	—
5-Year Avg.	6.05	1.22	—
10-Year Avg.	3.89	-0.23	—
Since Inception	8.20	-0.63	—

to represent the Emerging Markets Stock, the Bloomberg Commodity TR Index is used to represent Real Assets, the HFRI Equity Hedge Index (1-month lag) is used to represent Growth Oriented Hedge Funds, the HFRI FoF: Conservative Index (1-month lag) is used to represent Defensive Oriented Hedge Funds, 50% Citi WGBI/50% BofAML US HY Master II TR Index is used to represent Opportunistic Bond, the Barclays US Agg Bond TR Index is used to represent Core Bond, the Barclays US Treasury 1-10 Year TIPS Index is used to represent TIPS, the State Street Private Equity Index (1-qtr lag) is used to represent Alternative Fixed Income, Venture Capital/Private Equity, and Private Energy/Natural Resources, and the NCREIF Property Index (1-qtr lag) is used to represent Private Real Estate. Prior to April 30, 2015, the benchmark was adjusted quarterly to reflect the Fund's target asset allocation for each asset class, and the underlying holdings in each asset class.

General Information

Expense Ratio[‡]	1.26%
Portfolio Turnover Rate	12% (as of September 30, 2015)
Total Fund Assets (USD Mil.)	5254.37

Additional Information

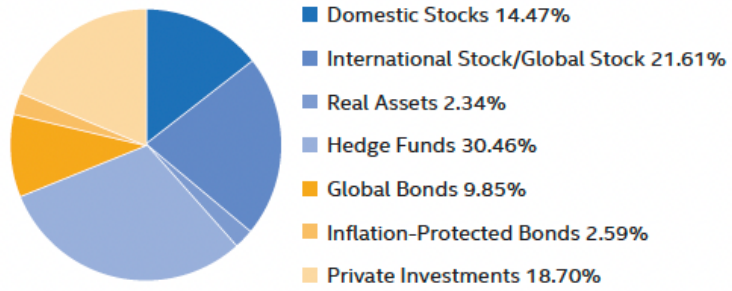
Video

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[‡] Expense Ratio includes the Management Fee, variable performance fees, which are payable only to select managers who exceed performance targets, and wrap/insurance fees to ensure principal stability.

Allocation by Asset Class



Portfolio Construction

	Actual % of Portfolio
Domestic Stocks	
Large Cap Pool	11.81%
American Century Value Yield	4.53%
BlackRock Russell 1000 Unitized Account	2.76%
GMO Quality	4.51%
Small Cap Pool	2.66%
BlackRock Russell 2000 Unitized Account	1.84%
Segall Bryant Small Cap	0.82%
International Stock/Global Stock	
International Pool	5.31%
BlackRock EAFE Unitized Account	4.33%
LSV International Small Cap	0.97%
Global Equity Pool	11.30%
Cantillon Global Equity	5.60%
IVA Global Equity	5.70%
Emerging Markets Pool	5.00%
BlackRock Emerging Markets (Hedged)	0.85%
BlackRock MSCI Emerging Markets Fund	0.77%
Lazard Emerging Markets Daily	1.98%
LSV Emerging Markets Fund	0.83%
Somerset Emerging Markets SMID All Country	0.57%
Real Assets	
Diversified Real Asset Pool	2.34%
BlackRock Dow Jones UBS Commodities Daily	1.13%
Blackstone Resources Select	1.21%

Actual allocations will change over time. Columns may not sum due to rounding.

	Actual % of Portfolio
Hedge Funds	
Defensive Oriented Hedge Fund Pool	10.92%
Intel Defensive Oriented Hedge Fund	10.89%
Growth Oriented Hedge Fund Pool	19.54%
Intel Growth Oriented Hedge Fund	19.54%
Global Bonds	
Global Bond Pool	5.04%
BlackRock Debt Index Daily (Global Bond)	0.15%
Colchester Global Bond	1.12%
MacKay Shields Core Fixed Income	2.06%
Segall Bryant Core Fixed Income	1.73%
Opportunistic Bond Pool	4.81%
BlackRock Debt Index Daily (Opportunistic)	0.21%
Franklin Templeton Global Bond	2.24%
Guggenheim Opportunistic Bond Fund	2.34%
Inflation-Protected Bonds	
TIPS Pool	2.59%
SSgA 1-10 Year US TIPS	2.59%
Private Investments	
Venture Capital / Private Equity Pool	11.20%
Intel Venture Capital / Private Equity	11.20%
Private Real Estate Pool	2.07%
Intel Private Real Estate	2.07%
Private Energy and Natural Resources Pool	3.77%
Intel Private Energy and Natural Resources	3.77%
Alternative Fixed Income Pool	1.66%
Intel Alternative Fixed Income Fund	1.66%

Actual allocations will change over time. Columns may not sum due to rounding.

Additional information on the Underlying Funds and Manager Strategies is available under Fund Descriptions and/or in the respective core fund fact sheets at www.netbenefits.com/intel.

Disclosure

When used as supplemental sales literature, the Investment Profile must be preceded or accompanied by the fund's current prospectus as well as this disclosure statement. The performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares when redeemed may be worth more or less than the original investment. Fund portfolio statistics change over time. The fund is not FDIC-insured, may lose value and is not guaranteed by a bank or other financial institution.

No assurance can be given that the fund will continue to invest its assets, or the same portion of assets, in the underlying funds or manager strategies represented here. The furnishing of information with respect to the underlying funds and manager strategies does not constitute a representation that participant balances in the fund will be invested in the future in the same percentages represented here, or at all, nor does it constitute a representation that the percentage allocations above will remain the same in the future for the purpose of determining the expected performance of the fund.

PERFORMANCE: Total return reflects performance without adjusting for sales charges or the effects of taxation, but is adjusted to reflect all actual ongoing fund expenses and assumes reinvestment of dividends and capital gains. If adjusted, sales charges would reduce the

performance quoted. The fund's performance is compared with that of an index. The index is an unmanaged portfolio of specified securities and the index does not reflect any initial or ongoing expenses. A fund's portfolio may differ significantly from the securities in the index.

INVESTMENT RISK: The value of your investment in the Fund will change with changes in the values of the Fund's investments in the underlying funds. There is no assurance that the Fund will provide an investor with adequate income at or through retirement. **Allocation Risk:** The allocation of investments among the underlying funds' different investment styles, such as equity or debt securities, or US or non-US securities, may have a more significant effect on the Fund's net asset value ("NAV") when one of these investments is performing more poorly than the other. There is no assurance that allocation decisions will result in the desired effects. Subjective decisions made by the investment manager may cause the Fund to incur losses or to miss profit opportunities on which it might otherwise have capitalized. **Market Risk:** The value of the Fund's investments will fluctuate as the stock or bond market fluctuates. The value of its investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market. It includes the risk that a particular style of investing may be underperforming the stock market generally. **Interest-Rate Risk:** Changes in interest rates will affect the value of the Fund's investments in underlying funds that invest in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tends to fall and this decrease in value may not be offset by higher income from new investments. Interest-rate risk is generally greater for fixed-income securities with longer maturities or durations. **Credit Risk:** An issuer or

guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default, causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments by underlying funds in fixed-income securities with lower ratings are subject to a higher probability that an issuer will default or fail to meet its payment obligations. **Inflation Risk:** This is the risk that the value of assets or income from the Fund's investments in the underlying funds will be less in the future as inflation decreases the value of money. As inflation increases, the value of each underlying fund's assets can decline as can the value of that underlying fund's distributions. **Foreign (Non-US) Risk:** Investments in non-US issuers by underlying funds may involve more risk than investments in US issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, and regulatory or other factors. **Emerging Market Risk:** Investments by underlying funds in emerging-market countries may involve more risk than investments in other foreign countries because the markets in emerging-market countries are less developed and less liquid as well as subject to increased economic, political, regulatory and other uncertainties. **Currency Risk:** Fluctuations in currency exchange rates may negatively affect the value of the Fund's investments or reduce its returns. **Capitalization Risk:** Investments in small- and mid-capitalization companies by underlying funds tend to be more volatile than investments in large-capitalization

companies. Investments in small-capitalization companies may have additional risks because these companies often have limited product lines, markets, or financial resources. **Derivatives Risk:** Derivatives may be illiquid, difficult to price, and leveraged so that small changes may produce disproportionate losses, and may be subject to counterparty risk to a greater degree than more traditional investments. **Leverage Risk:** Borrowing money or other leverage may make an underlying fund's investments more volatile because leverage tends to exaggerate the effect of any increase or decrease in the value of its investments. An underlying fund may create leverage through the use of certain portfolio management techniques such as reverse repurchase agreements or forward commitments, or by borrowing money. **Diversification Risk:** The Fund may have more risk because it is "non-diversified," meaning that it can invest more of its assets in a smaller number of issuers. **Management Risk:** The Fund is subject to management risk because it is an actively managed investment fund. The investment manager will apply its investment techniques and risk analyses in making investment decisions for the Fund, but there is no guarantee that its techniques will produce the intended results.

As with all investments, you may lose money by investing in the Fund.

PERFORMANCE DISCLOSURE: The performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the return data quoted herein. The investment return will fluctuate; thus, an investor's shares, when redeemed, may be worth more or less than their original cost. Principal invested is not guaranteed at any time.

For more current information, including month-end performance, please call 888-401-SERP (7377) or visit www.netbenefits.com/intel.

FUND SPECIFIC NOTES:

Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than US investments. This risk includes the political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation. Unit price, yield and return will vary. The investment option is a custom strategy fund. It is managed by AllianceBernstein L.P. (AB). AB provided the description for this investment, which is intended to be a brief overview of the Fund.

ADDITIONAL INFORMATION

For more information about this fund, visit www.netbenefits.com/intel, or call 888-401-SERP (7377).

Information was provided by Intel Corporation. Fidelity Investments is not responsible for its content.

EXHIBIT 6



4Q 12.31.17

Global Diversified Fund

Objective

The Fund seeks to earn a 5% return in excess of US inflation.

Investment Strategy

- The Global Diversified Fund is an enhanced asset-allocation fund that invests in a mix of domestic and international equity funds, global bonds and short-term investments, hedge funds, private investments, and real assets (e.g., commodities, real estate and natural resource-focused private equity).
- The current targeted asset allocation for this fund is 18.5% domestic stocks, 21.5% international/global stocks, 10% global bonds, 5% inflation-protected bonds, 5% liquid real assets, 20% hedge funds and 20% private investments. It may take more than 12 months to rebalance the Fund to these targets, based on current market conditions and other factors.

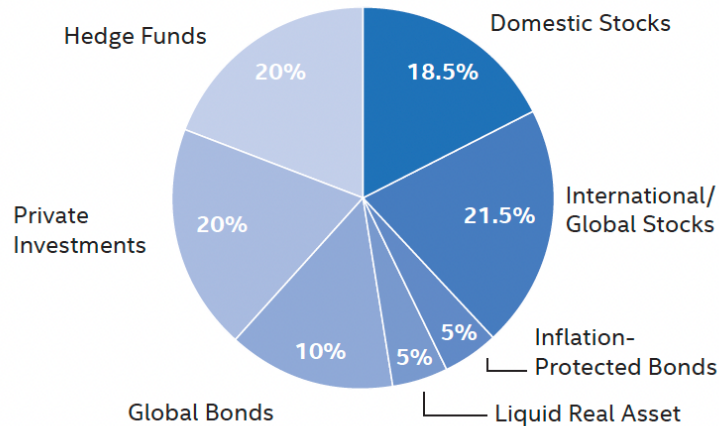
Primary Investments

- A mix of domestic and international equity funds, global bonds and short-term investments, hedge funds, private investments and real assets (e.g.,

commodities, real estate and natural resource-focused private equity).

- Hedge funds are an investment component of the Global Diversified Fund. They are composed of an array of investment strategies that include Equity Hedged and Absolute Return. Equity Hedged seeks to maintain both long and short positions in primarily equity and equity-derivative securities. Absolute Return hedge funds seek to deliver returns using investment strategies and rely far less on market returns.
- Private investments are another investment component of the Fund and are composed of equities, fixed income, real estate and natural resource companies in the private market as opposed to the public market. The typical investor in private investments commits large sums of capital for long periods of time. Private investment firms may try to improve the financial results and prospects of the company behind the investment in the hope of adding value to the investment.
- This investment is not a mutual fund, but a collective investment that pools the assets of tax-qualified employee benefit plans into a single fund with a common objective. Some of the strategies used in the Fund, such as private investments, are exposed to liquidity risk. This is the risk that investments cannot be traded easily without penalties, particularly during times of market crisis.

Target Asset Allocation*



Manager Summary

Intel has selected AB as consultant for the Global Diversified Fund. In this role, AB monitors and rebalances the Fund's asset mix and performs other consulting related services. AB and Intel have partnered with Morningstar on the production of these fact sheets, as well as the fund ratings, categorization and analyst commentary included here.

* Target allocations as of 4/30/15. It may take more than 12 months to rebalance the Fund to these targets, based on current market conditions and other factors.

The investment option is a custom strategy fund.

This description is only intended to provide a brief overview of the fund. Although a separate prospectus is not available, participants have access to detailed information about the Global Diversified Fund via Fidelity NetBenefits®. To view the performance of this investment option, visit NetBenefits® at www.netbenefits.com/intel. This investment option is not a registered mutual fund.

Morningstar Analyst Report as of 06/30/17

The Global Diversified Fund is a combination of multiple underlying strategies whose allocations are actively managed to achieve the fund's stated goal of a 5% real rate of return. The underlying strategies range from traditional equity and fixed income funds, to non-traditional exposures such as hedge funds, venture capital, private equity, and private credit. As of June 30, 2017, a significant portion of the fund is invested in hedge funds and private investments.

The fund's trailing one- and three-year returns have lagged its policy benchmark through June 30th. However, it's important to place this performance in the context of the prevailing market environment. The fund is structured in such a manner that it should provide greater downside protection in faltering markets, with the tradeoff being slight underperformance in rallying ones, as has been the case in the current bull market. Over the trailing one-year period the fund's global equity sleeve slightly underperformed its benchmark, as one of the underlying managers holds a significant allocation to fixed income and cash, which was a drag on performance as equity markets rallied. The private energy sleeve also detracted from performance. However, the fund was rewarded by its allocation to private credit and opportunistic bonds which delivered strong performance over the trailing one-year period.

Many of the fund's non-traditional exposures have lower correlations to traditional stocks and bonds and have contributed to the strategy, delivering strong risk-

adjusted returns. These exposures should be integral in providing stability in retreating markets.

Occasional periods of underperformance should not weaken the case for this fund. Over a full market cycle, there will be periods where this fund's broad diversification should result in downside protection. We think the portfolio's diversification across a broad spectrum of equities and fixed income, as well as its exposure to alternatives, including commodities and private equity, will position it well for varying market conditions going forward. We believe this remains a competitive one-stop option for investors seeking exposure to an array of asset classes for income, capital appreciation, and inflation protection.

Performance Summary*

	QTD	YTD	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception
Global Diversified Fund	3.34%	13.54%	13.54%	6.88%	7.54%	3.43%	8.33%
Global Diversified Composite Benchmark †	3.84	15.01	15.01	7.33	7.62	—	—
MSCI World Net Index	5.51	22.40	22.40	9.26	11.64	5.03	7.00
Sharpe Ratio	—	—	7.62	1.74	1.95	—	—

[Click here for current performance](#)

* The Fund's inception date is 01/01/1989. Performance is presented net of fees. Periods of less than one year represent cumulative returns.

† The benchmark for the Global Diversified Fund is a customized benchmark that has the same asset allocation as the Fund's target asset allocation and uses index returns to represent performance of the asset classes. The benchmark returns were calculated by weighting the monthly index returns of each asset class by the Fund's monthly target allocation for each asset class. Effective April 30, 2015, the Russell 1000 TR Index is used to represent Large Cap US Stock, the Russell 2000 TR Index is used to represent the Small Cap US Stock, the MSCI EAFE IMI NR UH Index is used to represent the International Stock, the MSCI ACWI IMI NR UH

Quarterly Returns as of 12/31/2017

	1Q	2Q	3Q	4Q	Annual
2013	3.87	-0.11	2.89	4.33	11.38
2014	2.47	2.98	0.01	0.47	6.04
2015	1.29	0.88	-3.75	1.51	0.19
2016	-0.19	2.35	3.45	1.56	7.32
2017	3.74	2.34	3.49	3.34	13.54

Trailing Returns as of 12/31/2017

	Total Return %	+/- Benchmark
1 Year	13.54%	-1.47%
3-Year Avg.	6.88	-0.45
5-Year Avg.	7.54	-0.08
10-Year Avg.	3.43	—
Since Inception	8.33	—

Index is used to represent the Global Stock, the MSCI EM IMI NR UH Index is used to represent the Emerging Markets Stock, the Bloomberg Commodity TR Index prior to 4/30/2016, and 50% Bloomberg Commodity TR / 50% FTSE EPRA/NAREIT Developed NET UH USD index since 5/1/2016 is used to represent Real Assets, the HFRI Equity Hedge Index (1-month lag) is used to represent Growth Oriented Hedge Funds, the HFRI FoF: Conservative Index (1-month lag) is used to represent Defensive Oriented Hedge Funds, 50% Citi WGBI/50% BofAML US HY Master II TR Index is used to represent Opportunistic Bond, the Bloomberg Barclays US Agg Bond TR Index is used to represent Core Bond, the Bloomberg Barclays US Treasury 1-10 Year TIPS Index is used to represent TIPS, the State Street Private Equity Index (1-qtr lag) is used to represent Alternative Fixed Income, Venture Capital/ Private Equity, and Private Energy/Natural Resources, and the NCREIF Property Index (1-qtr lag) is used to represent Private Real Estate.

Prior to April 30, 2015, the benchmark was adjusted quarterly to reflect the Fund's target asset allocation for each asset class, and the underlying holdings in each asset class.

General Information

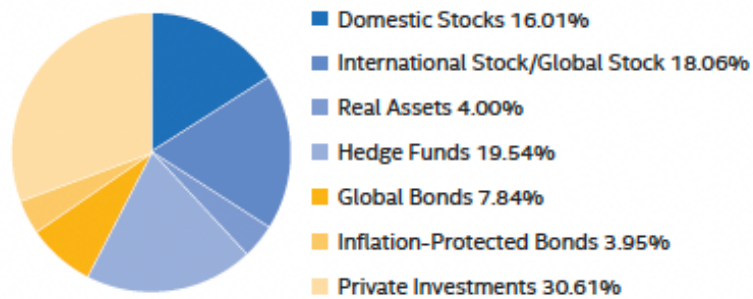
Expense Ratio[‡]	1.58%
Portfolio Turnover Rate	15% (as of December 31, 2017)
Total Fund Assets (USD Mil.)	4632.60

Additional Information

Video

How to read and get more from your fact sheet

Allocation by Asset Class



[‡] Expense Ratio includes the Management Fee, variable performance fees, which are payable only to select managers who exceed performance targets, and wrap/insurance fees to ensure principal stability.

Portfolio Construction

	Actual % of Portfolio
Domestic Stocks	
Large Cap Pool	12.14%
American Century Value Yield	4.56%
BlackRock Russell 1000 Unitized Account	3.04%
GMO Quality	4.54%
Small Cap Pool	3.87%
BlackRock Russell 2000 Unitized Account	2.65%
Boston Partners Small Cap	1.22%
International Stock/Global Stock	
International Pool	4.96%
BlackRock EAFE Unitized Account	3.85%
LSV International Small Cap	1.12%
Global Equity Pool	8.91%
Cantillon Global Equity	5.42%
IVA Global Equity	3.49%
Emerging Markets Pool	4.19%
BlackRock Emerging Markets (Hedged)	0.66%
BlackRock MSCI Emerging Markets Fund	0.70%
Lazard Emerging Markets Daily	1.52%
LSV Emerging Markets Fund	0.80%
Somerset Emerging Markets SMID All Country	0.50%
Real Assets*	
Diversified Real Asset Pool	4.00%
BlackRock Dow Jones UBS Commodities Daily	2.01%
State Street Global Real Estate Securities Index Non-Lending Series Fund Class A	1.99%

* Includes residual positions which may not be listed.

	Actual % of Portfolio
Hedge Funds*	
Defensive Oriented Hedge Fund Pool	6.57%
Intel Defensive Oriented Hedge Fund	6.57%
Growth Oriented Hedge Fund Pool	12.97%
Intel Growth Oriented Hedge Fund	12.97%
Global Bonds	
Global Bond Pool	3.87%
BlackRock Debt Index Daily (Global Bond)	0.17%
Colchester Global Bond	0.81%
MacKay Shields Core Fixed Income	1.45%
Segall Bryant Core Fixed Income	1.45%
Opportunistic Bond Pool	3.95%
BlackRock Debt Index Daily (Opportunistic)	0.18%
Franklin Templeton Global Bond	1.77%
Guggenheim Opportunistic Bond Fund	2.01%
Inflation-Protected Bonds	
TIPS Pool	3.95%
State Street 1-10 Year US TIPS	3.95%
Private Investments	
Venture Capital / Private Equity Pool	17.77%
Intel Venture Capital / Private Equity	17.77%
Private Real Estate Pool	5.32%
Intel Private Real Estate	5.32%
Private Energy and Natural Resources Pool	5.06%
Intel Private Energy and Natural Resources	5.06%
Alternative Fixed Income Pool	2.46%
Intel Alternative Fixed Income Fund	2.46%

*Includes residual positions which may not be listed.

The portfolio construction table may not sum to pie chart. The pie chart does not include residual positions in some underlying funds.

Additional information on the Underlying Funds and Manager Strategies is available under Fund Descriptions and/or in the respective core fund fact sheets at www.netbenefits.com/intel.

Disclosure

When used as supplemental sales literature, the Investment Profile must be preceded or accompanied by the fund's current prospectus as well as this disclosure statement. The performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares when redeemed may be worth more or less than the original investment. Fund portfolio statistics change over time. The fund is not FDIC-insured, may lose value and is not guaranteed by a bank or other financial institution.

No assurance can be given that the fund will continue to invest its assets, or the same portion of assets, in the underlying funds or manager strategies represented here. The furnishing of information with respect to the underlying funds and manager strategies does not constitute a representation that participant balances in the fund will be invested in the future in the same percentages represented here, or at all, nor does it constitute a representation that the percentage allocations above will remain the same in the future for the purpose of determining the expected performance of the fund.

PERFORMANCE: Total return reflects performance without adjusting for sales charges or the effects of taxation, but is adjusted to reflect all actual ongoing fund

expenses and assumes reinvestment of dividends and capital gains. If adjusted, sales charges would reduce the performance quoted.

The fund's performance is compared with that of an index. The index is an unmanaged portfolio of specified securities and the index does not reflect any initial or ongoing expenses. A fund's portfolio may differ significantly from the securities in the index.

INVESTMENT RISK: The value of your investment in the Fund will change with changes in the values of the Fund's investments in the underlying funds. There is no assurance that the Fund will provide an investor with adequate income at or through retirement. **Allocation Risk:** The allocation of investments among the underlying funds' different investment styles, such as equity or debt securities, or US or non-US securities, may have a more significant effect on the Fund's net asset value ("NAV") when one of these investments is performing more poorly than the other. There is no assurance that allocation decisions will result in the desired effects. Subjective decisions made by the investment manager may cause the Fund to incur losses or to miss profit opportunities on which it might otherwise have capitalized. **Market Risk:** The value of the Fund's investments will fluctuate as the stock or bond market fluctuates. The value of its investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market. It includes the risk that a particular style of investing may be underperforming the stock market generally. **Interest-Rate Risk:** Changes in interest rates will affect the value of the Fund's investments in underlying funds that invest in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tends to

fall and this decrease in value may not be offset by higher income from new investments. Interest-rate risk is generally greater for fixed-income securities with longer maturities or durations. **Credit Risk:** An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default, causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments by underlying funds in fixed-income securities with lower ratings are subject to a higher probability that an issuer will default or fail to meet its payment obligations. **Inflation Risk:** This is the risk that the value of assets or income from the Fund's investments in the underlying funds will be less in the future as inflation decreases the value of money. As inflation increases, the value of each underlying fund's assets can decline as can the value of that underlying fund's distributions. **Foreign (Non-US) Risk:** Investments in non-US issuers by underlying funds may involve more risk than investments in US issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, and regulatory or other factors. **Emerging Market Risk:** Investments by underlying funds in emerging-market countries may involve more risk than investments in other foreign countries because the markets in emerging-market countries are less developed and less liquid as well as subject to increased economic, political, regulatory and other uncertainties. **Currency Risk:** Fluctuations in currency exchange rates may negatively affect the value

of the Fund's investments or reduce its returns. **Capitalization Risk:** Investments in small- and mid-capitalization companies by underlying funds tend to be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies often have limited product lines, markets, or financial resources. **Derivatives Risk:** Derivatives may be illiquid, difficult to price, and leveraged so that small changes may produce disproportionate losses, and may be subject to counterparty risk to a greater degree than more traditional investments. **Leverage Risk:** Borrowing money or other leverage may make an underlying fund's investments more volatile because leverage tends to exaggerate the effect of any increase or decrease in the value of its investments. An underlying fund may create leverage through the use of certain portfolio management techniques such as reverse repurchase agreements or forward commitments, or by borrowing money. **Diversification Risk:** The Fund may have more risk because it is "non-diversified," meaning that it can invest more of its assets in a smaller number of issuers. **Management Risk:** The Fund is subject to management risk because it is an actively managed investment fund. The investment manager will apply its investment techniques and risk analyses in making investment decisions for the Fund, but there is no guarantee that its techniques will produce the intended results.

As with all investments, you may lose money by investing in the Fund.

PERFORMANCE DISCLOSURE: The performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the return data quoted herein. The

investment return will fluctuate; thus, an investor's shares, when redeemed, may be worth more or less than their original cost. Principal invested is not guaranteed at any time.

For more current information, including month-end performance, please call 888-401-SERP (7377) or visit www.netbenefits.com/intel.

FUND SPECIFIC NOTES:

Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than US investments. This risk includes the political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation. Unit price, yield and return will vary. The investment option is a custom strategy fund managed by the IPC. The description for this investment is intended to be a brief overview of the Fund.

ADDITIONAL INFORMATION

For more information about this fund, visit www.netbenefits.com/intel, or call 888-401-SERP (7377).

Information was provided by Intel Corporation. Fidelity Investments is not responsible for its content.

EXHIBIT 7

Release Date 12-31-2018

Global Diversified Fund

Benchmark 1

Custom Blend

Benchmark 2

MSCI World NR USD

Investment Strategy

The Fund is a diversified asset allocation fund that invests in a variety of asset classes, recognizing that different asset classes perform better or worse during various economic environments. This diversification is intended to obtain returns from a broad universe of investments and dampen the impact any one asset class has on the total performance of the Global Diversified Fund.

The target asset allocation for this fund is 34.0% global equities, 17.0% global bonds, 19.0% alternative investments and 30.0% private investments.

Morningstar Analyst Report as of 11-10-17

The Global Diversified Fund is a combination of multiple underlying strategies whose allocations are actively managed to achieve the fund's stated goal of a 5% real rate of return. The underlying strategies range from traditional equity and fixed income funds, to non-

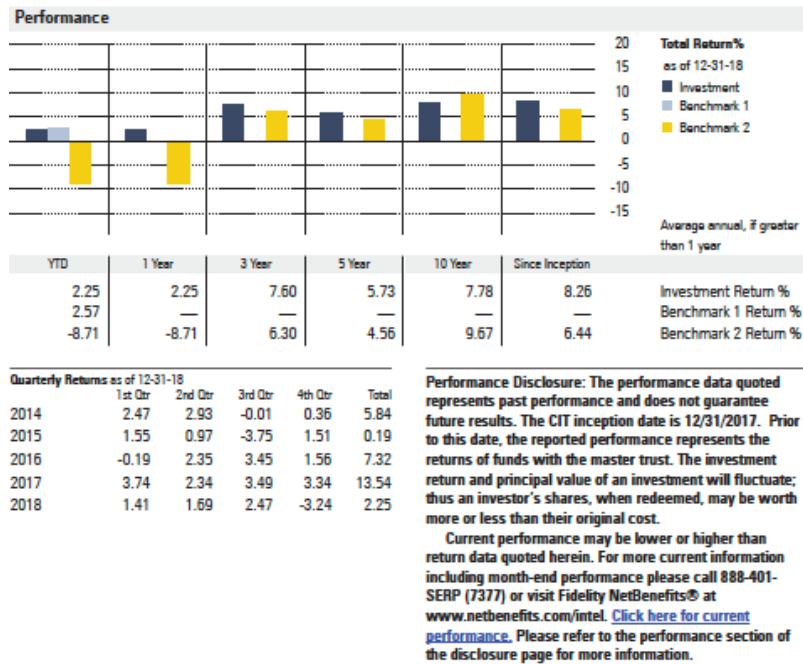
traditional exposures such as hedge funds, venture capital, private equity, and private credit. As of June 30, 2017, a significant portion of the fund is invested in hedge funds and private investments.

The fund's trailing one- and three-year returns have lagged its policy benchmark through June 30th. However, it's important to place this performance in the context of the prevailing market environment. The fund is structured in such a manner that it should provide greater downside protection in faltering markets, with the tradeoff being slight underperformance in rallying ones, as has been the case in the current bull market. Over the trailing one-year period the fund's global equity sleeve slightly underperformed its benchmark, as one of the underlying managers holds a significant allocation to fixed income and cash, which was a drag on performance as equity markets rallied. The private energy sleeve also detracted from performance. However, the fund was rewarded by its allocation to private credit and opportunistic bonds which delivered strong performance over the trailing one-year period.

Many of the fund's non-traditional exposures have lower correlations to traditional stocks and bonds and have contributed to the strategy, delivering strong risk-adjusted returns. These exposures should be integral in providing stability in retreating markets.

Occasional periods of underperformance should not weaken the case for this fund. Over a full market cycle, there will be periods where this fund's broad diversification should result in downside protection. We think the portfolio's diversification across a broad spectrum of equities and fixed income, as well as its exposure to alternatives, including commodities and private equity, will position it well for varying market

conditions going forward. We believe this remains a competitive one-stop option for investors seeking exposure to an array of asset classes for income, capital appreciation, and inflation protection.



Manager Summary

Effective January 1, 2018, GTC is the Trustee for the Global Diversified Fund. GTC has engaged Towers Watson Investment Services, Inc. to advise GTC on asset allocation and sub-advisor selection for the Fund.

Global Equities

Global equities include a broad mix of domestic and international stocks across the market capitalization spectrum traded on public exchanges. Investments may be denominated in U.S. dollars and foreign currencies. This asset class may also include targeted allocations to diversified real assets. Real assets are investments in publicly traded real estate and infrastructure securities, but may also include other unlisted investments with similar diversifying characteristics.

Global Bonds

Global bonds are investments in a broad mix of domestic and international fixed income securities including government, corporate and other fixed income instruments as well as derivative instruments. This allocation includes both investment grade and below investment grade debt denominated in U.S. dollars and foreign currencies.

Alternative Investments

Alternative investments are comprised of an array of investment strategies that include investments in stocks, bonds, commodities, currencies and derivative instruments. These strategies will maintain both long and short positions in underlying securities and may rely on directional market movements, changes in volatility and/or factors other than broad equity or fixed income market movements to generate return. The purpose of this asset class is to reduce reliance on traditional risk factors in the portfolio.

Private Investments

Private investments are not listed on a public exchange and may include investments such as unlisted equity, real estate, infrastructure and private debt. Private

investments are generally less liquid than listed investments and as such seek to enhance the return structure of a diversified portfolio.

Portfolio Construction as of 12-31-18

	Actual % of Portfolio
Global Equities	32.38%
BlackRock MSCI ACWI Equity Index	6.83%
Lazard Asset Management LLC	4.57%
Intech Investment Management LLC	2.35%
Bares Capital Management Inc.	0.95%
Lyrical Partners L.P.	0.92%
Sanders Capital	1.89%
Tremblant Capital Group	0.92%
Moerus Capital Management LLC	1.71%
GOG Partners LLC	2.04%
Sands Capital Management LLC	1.00%
River & Mercantile	1.71%
Metropolis Capital Limited	1.48%
Russell Investment Transition	0.02%
Cantillon	1.24%
Legal & General Global Core Infrastructure	2.34%
SSgA Global Real Estate Securities Index	0.30%
Heitman Global Prime	2.11%
Alternatives	19.10%

Hedge Funds
19.10%

Global Bonds	14.39%
SSgA Intermediate US Govt Bond Index	0.00%
L&G Global High Yield Fund LLC	0.55%
Bain Capital Senior Loan Fund LP - Class A	0.94%
Wellington Securitized Opportunities Portfolio	2.12%
Libremax ERISA Value Fund	1.46%
Brigade Structured Credit Offshore Fund Ltd.	0.51%
Africa Fixed Income Opportunities Fund	0.28%
1Sharpe Opportunity Fund Ltd	0.47%
Tor Asia Credit Fund	0.29%
DDJ Capital	0.39%
Blackrock Transition Account	0.07%
Franklin Templeton	1.18%
Blackrock US Debt Index Fund F	0.44%
JPM Emerging Markets Aggregate Bond	0.98%
SSgA TIPS Index NL SF CL A	2.35%
SSgA U.S. Long Government Bond Index	2.35%

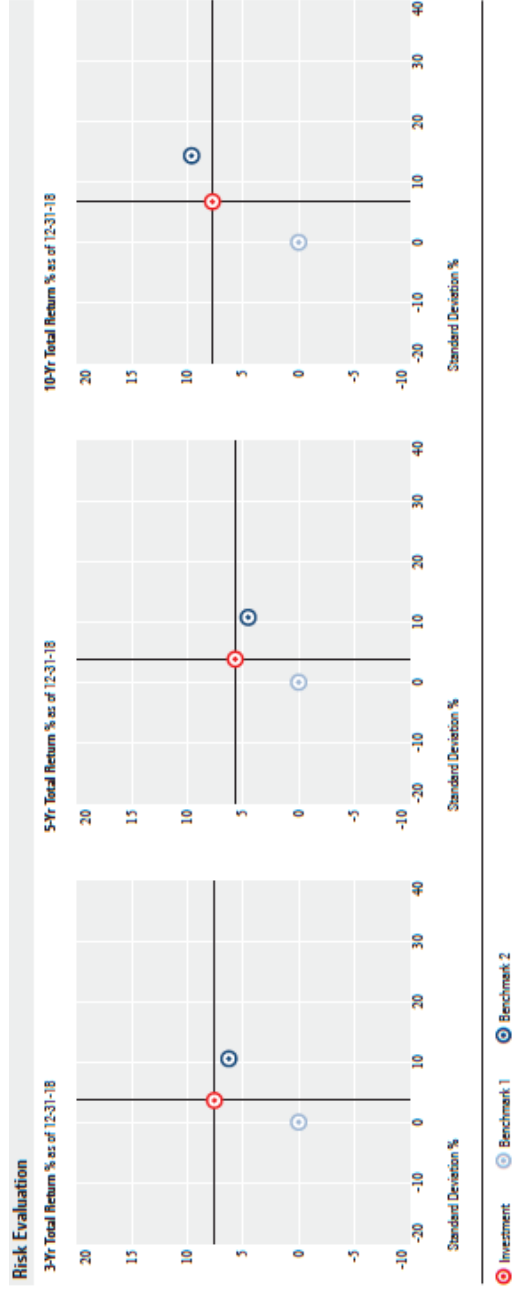
Private Investments	34.13%
Private Equity & Venture Capital	20.88%
Private Energy & Natural Resources	5.54%
Private Real Estate	5.34%
Alternative Fixed Income	2.37%

Allocation by Asset Class



Operations

Expense Ratio	2.16% of fund assets
Annual Turnover Ratio %	2.16%
Fund Inception Date	01-02-89
Total Plan Assets (\$mil)	4,272.49



Index Composition

Benchmark 1: Custom Blend for the Global Diversified Fund is a customized benchmark that has the same asset allocation as the Fund's target asset allocation and uses index returns to represent performance of the asset classes. The benchmark returns are calculated by weighting the monthly index returns of each asset class by the Fund's monthly target allocation for each asset class. Effective 12/31/2017, the benchmarks are as follows:

Global Equities 82% MSCI ACWI Index, 9% FTSE EPRA/NAREIT Developed Index, 9% MFGAM Core Infrastructure Index

Global Bonds 22% Bloomberg Barclays US HY 2% Issuer Cap Index, 22% S&P Leveraged Loan Index, 11% Bloomberg Barclays EM USD Sovereign + Ouasi-Sov: 5% Country Cap Index, 11% Bloomberg Barclays EM Local Currency Government x Korea 10% Country Capped Index, 18% Bloomberg Barclays US Treasury 1-10 Year TIPS Index, 18% Bloomberg Barclays Long Gov't Index

Alternative Investments: HFRI FOF: Conservative Index

Private Investments: State Street Private Equity 1 Quarter Lag Index All percentages are rounded to the nearest whole number.

Benchmark 2: MSCI World NR index measures the performance of the large and mid cap segments of world equity securities. It is free float-adjusted market-capitalization weighted.

No assurance can be given that the fund will continue to invest its assets, or the same portion of assets, in the

underlying funds or manager strategies represented here. The furnishing of information with respect to the underlying funds and manager strategies does not constitute a representation that participant balances in the fund will be invested in the future in the same percentages represented here, or at all, nor does it constitute a representation that the percentage allocations above will remain the same in the future for the purpose of determining the expected performance of the fund.

Performance

Total return reflects performance without adjusting for sales charges or the effects of taxation, but is adjusted to reflect all actual ongoing fund expenses and assumes reinvestment of dividends and capital gains. If adjusted, sales charges would reduce the performance quoted. The fund's performance is compared with that of an index. The index is an unmanaged portfolio of specified securities and the index does not reflect any initial or ongoing expenses. A fund's portfolio may differ significantly from the securities in the index.

Investment Risk

The value of your investment in the Fund will change with changes in the values of the Fund's investments in the underlying funds. There is no assurance that the Fund will provide an investor with adequate income at or through retirement.

Allocation Risk: The allocation of investments among the underlying funds' different investment styles, such as equity or debt securities, or US or non-US securities, may have a more significant effect on the Fund's net asset value ("NAV") when one of these investments is performing more poorly than the other. There is no assurance that allocation decisions will result in the

desired effects. Subjective decisions made by the investment manager may cause the Fund to incur losses or to miss profit opportunities on which it might otherwise have capitalized.

Market Risk: The value of the Fund's investments will fluctuate as the stock or bond market fluctuates. The value of its investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market. It includes the risk that a particular style of investing may be underperforming the stock market generally.

Interest-Rate Risk: Changes in interest rates will affect the value of the Fund's investments in underlying funds that invest in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tends to fall and this decrease in value may not be offset by higher income from new investments. Interest-rate risk is generally greater for fixed-income securities with longer maturities or durations.

Credit Risk: An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default, causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments by underlying funds in fixed-income securities with lower ratings are subject to a higher probability that an issuer will default or fail to meet its payment obligations.

Inflation Risk: This is the risk that the value of assets or income from the Fund's investments in the underlying funds will be less in the future as inflation decreases the value of money. As inflation increases, the value of each underlying fund's assets can decline as can the value of that underlying fund's distributions. Foreign (Non-US) Risk: Investments in non-US issuers by underlying funds may involve more risk than investments in US issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, and regulatory or other factors.

Emerging Market Risk: Investments by underlying funds in emerging-market countries may involve more risk than investments in other foreign countries because the markets in emerging-market countries are less developed and less liquid as well as subject to increased economic, political, regulatory and other uncertainties.

Currency Risk: Fluctuations in currency exchange rates may negatively affect the value of the Fund's investments or reduce its returns.

Capitalization Risk: Investments in small- and mid-capitalization companies by underlying funds tend to be more volatile than investments in large capitalization companies. Investments in small-capitalization companies may have additional risks because these companies often have limited product lines, markets, or financial resources.

Derivatives Risk: Derivatives may be illiquid, difficult to price, and leveraged so that small changes may produce disproportionate losses, and may be subject to counterparty risk to a greater degree than more traditional investments.

Leverage Risk: Borrowing money or other leverage may make an underlying fund's investments more volatile because leverage tends to exaggerate the effect of any increase or decrease in the value of its investments. An underlying fund may create leverage through the use of certain portfolio management techniques such as reverse repurchase agreements or forward commitments, or by borrowing money.

Diversification Risk: The Fund may have more risk because it is "non-diversified," meaning that it can invest more of its assets in a smaller number of issuers.

Management Risk: The Fund is subject to management risk because it is an actively managed investment fund. The investment manager will apply its investment techniques and risk analyses in making investment decisions for the Fund, but there is no guarantee that its techniques will produce the intended results.

Liquidity Risk: Some of the strategies used in the Fund, such as private investments, are exposed to liquidity risk. This is the risk that investments cannot be traded easily without penalties, particularly during times of market crisis

As with all investments, you may lose money by investing in the Fund.

Performance Disclosure

The performance reported represents a blend of historical performance. The Intel Retirement Plans Collective Investment Trust and associated funds have an inception date of 12/31/2017. Prior to this date, the reported performance represents the returns of the unitized funds held within the Intel Retirement Plans Master Trust. Investment returns and principal value

may fluctuate. An investor's shares, when redeemed, may be worth more or less than their original purchase price. Performance includes the reinvestment of any distributions.

Past performance is no indication of future results.

Fund Specific Notes

This is a bank-sponsored collective investment trust (“CIT”) and not a mutual fund. Global Trust Company (“GTC”) is Trustee and maintains and manages the CIT. Towers Watson Investment Services, Inc. has been retained by GTC as the investment advisor of the fund. The fund is a multi-manager fund. The CIT is not FDIC insured or registered with the Securities and Exchange Commission. This does not constitute an offer or solicitation of any security or product, nor constitute a recommendation of the suitability of any investment strategy for a particular investor. Material presented is prepared from information sources believed to be accurate, but there is no guarantee of accuracy.

NOT FDIC INSURED - MAY LOSE VALUE - NO BANK GUARANTEE

Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than US investments. This risk includes the political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation. Unit price, yield and return will vary. The description for this investment is intended to be a brief overview of the Fund.

Additional Information

For more information about this fund, visit www.netbenefits.com/intel, or call 888-401-SERP (7377). Information was provided by Intel Corporation. Fidelity Investments is not responsible for its content

EXHIBIT 8

Release Date 12-31-2011

Target Date 2045 Fund

Simulated historical performance and hypothetical Morningstar Rating™ for all time periods based on current asset allocation.

Morningstar Category

Target Date 2041-2045

Overall Morningstar Rating™ ★★★★★

Morningstar Return High

Morningstar Risk Below Average

Rated against 104 Target Date 2041-2045 funds. An investment's overall Morningstar Rating, based on its risk-adjusted return, is a weighted average of its applicable 3-, 5-, and 10-year Ratings. See disclosure for details. This data is based on simulated historical performance.

Allocation as of 12-31-11

	Fund Inception Alloc (%) 04-27-2004	Current Alloc (%) 12-31-2011
Domestic Stock	67.00	23.00
International Stock	10.00	36.00
Hedge Funds	0.00	26.00
Global Bond	18.00	10.00
Stable Value	5.00	0.00
Commodities	0.00	5.00

Notes/Commentary

The fund returns are simulated through 3/31/11 to show the historical performance of the fund that would have occurred had the current asset allocation and underlying fund managers been in place since the period beginning date. The simulated returns provide a useful basis to evaluate the fund's strategy by showing how the fund's current strategy would have performed had it been applied to actual historical markets. The fund returns after 3/31/11 are actual returns reflecting the realized performance of the fund after the following changes were put in place.

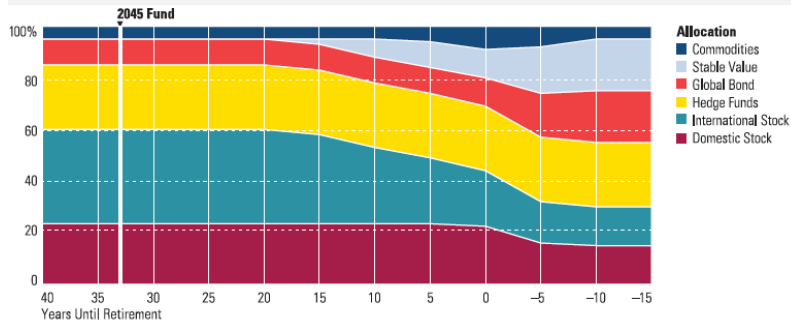
The fund has implemented a number of changes since inception to reduce investment risk while maintaining return potential appropriate for an investor's target retirement date. These changes include: the addition of hedge fund and commodity investments, the addition of

active equity and bond managers, and changes to the equity asset allocation between domestic, international developed and emerging market equities. As shown on the adjacent chart, the new fund allocation provides superior simulated performance over the long term compared to a broad category of external target date funds.

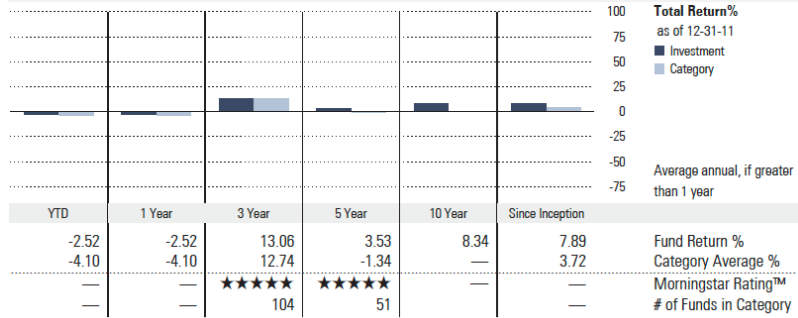
The addition of hedge funds and commodities provide diversification benefits and reduce investment risk by investing in assets whose returns are less correlated to equity markets. The hedge fund portfolio consists of 25 top-tier hedge funds that employ a broad range/array of investment strategies intended to generate positive returns irrespective of the market environment. Commodities provide inflation protection and generate returns which are uncorrelated to equity markets.

Active equity and bond managers were selected on the basis of the managers' ability to generate risk-adjusted returns in excess of passive index returns. Active managers have the flexibility to invest in areas where valuations or growth prospects are more attractive and to not invest, or limit exposure, in areas that are less attractive. In addition, the equity portfolio is weighted toward growth-oriented emerging markets when the participants are far from their target retirement date and can tolerate higher levels of volatility. As the participants get closer to their target retirement date, when low volatility of returns is important, the equity portfolio is weighted toward the U.S. and developed country international markets. The bond portfolio combines traditional low risk investments with investments that participate in growth opportunities with less volatility than equities.

Target Date Allocation as of 12-31-11



Simulated Performance based on current allocation



Performance Disclosure: The performance data quoted represents simulated past performance based on actual and estimated manager returns from the period beginning date to March 31, 2011. Current performance may be lower or higher than the simulated return data quoted herein. The investment return will fluctuate thus an investor's shares, when redeemed may be worth more or less than their original cost. Principal invested is not guaranteed at any time, including at or after the projected 2045 retirement date, the date used to determine the asset allocation for the fund

The fund performance is simulated using a strategy of buying, holding, and monthly rebalancing of assets to their target allocation. Simulated performance is hypothetical (it does not always reflect realized performance in actual accounts) and is provided for informational purposes to indicate historical performance had the current asset allocation and underlying managers been in place over the stated period. The current fund allocation was put in place in March 2011.

Realized performance of managers held in the retirement trust is used where possible to construct the simulated fund performance net of fees. A manager's actual or estimated performance prior to investment by the retirement trust may be used if the manager employed a similar strategy to the current investment.

Where no actual or estimated manager returns are available back to the period beginning date, a representative passive index is used to simulate the manager returns: Russell 1000 Index for GMO Quality Fund through February 2004, Russell 2000 Index for Segall Bryant Hamill Small Cap Equity through December 2001, MSCI EAFE Index for Cantillon Capital Global Equity through March 2005, MSCI EM Index for Blackrock Emerging Market Index Fund through November 2002, BofA ML 3M LIBOR for Goldman Sachs Opportunistic Bond through August 2002, DJ UBS Commodity Index for Blackrock DJ Commodity Index Fund through July 2009, Blackstone Commodities Index for Blackstone Resources Select Offshore Fund through April 2007, S&P GSCI/RJ CRB/DJ UBS Commodity/Rogers Int Commodity Blended Index for Schroder Commodity Portfolio

through October 2005, and HFRI FoF Composite Index for hedge funds (various). The hedge fund returns are discounted 4.0% per annum to account for potential manager selection bias.

Benchmark	Morningstar Category
Blended Benchmark	Target Date 2041-2045

Investment Strategy

The fund seeks to provide long-term growth of capital and current income.

The target asset allocation for this fund is 10% global bond funds and short-term investments, 60% domestic and international equity funds, 25% hedge funds, and 5% commodities. Over time, the fund will gradually shift to a more conservative asset mix by incrementally decreasing its equity allocation and increasing its bond allocation, while maintaining a fixed allocation to hedge funds. The bond allocation reaches 40% 10 years after the 2045 target retirement date, at which time the fund will merge into the Income Fund.

Investment is appropriate for investors who are retired or who plan to retire within a few years of 2045, and seeks a well diversified portfolio that becomes more conservative over time. This investment is not a mutual fund or a collective investment. It is a specifically weighted selection from the investments held by the Intel Corporation Retirement Plans Master Trust.

Morningstar Analyst Report as of 09-30-11

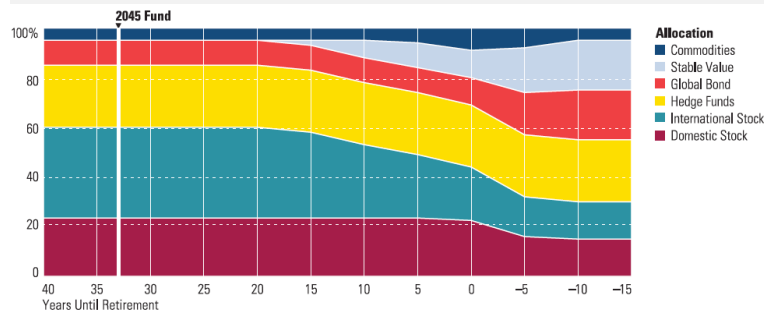
While this fund is down in 2011 so far, it has held up better than the vast majority of its peers in the Morningstar Target Date 2041-2045. For the one year period through the end of September, the fund is down only 0.5%, outpacing the typical fund in the category by 3.5%. The fund's longer-term record remains competitive, too. Its five-year annualized loss of 0.9% has beaten the category average by 0.6%.

The fund's more recent outperformance can be traced directly to changes made over the past year. The investment team has overhauled the asset allocation methodology to include more opportunistic strategies that while geared toward capital appreciation also aim to protect capital in down markets. Where the fund used to invest heavily in straight index funds, it now also devotes assets to global managers, such as International Value Advisers and Cantillon, who pay strict attention to stock valuations and take on less market risk than their competitors. At the same time, the fund has a sleeve of alternative strategies, which have the ability to go both long and short stocks, thereby mitigating sensitivity to market fluctuations. These components helped to cushion losses during a tumultuous third quarter, when markets were rocked by a narrowly avoided government shut-down, weaker-than-expected economic numbers, and a deepening sovereign crisis in Europe prompted investors to flee risky assets and pile into Treasuries.

This fund's steadier performance does come with a price, however. For starters, the fund's reduced market exposure is bound to serve as a drag when markets are experiencing rapid run-ups. Additionally, the fund's cost is higher than it used to be due to the fact that it invests less in passively run index funds and now devotes more to higher-cost actively run strategies. On balance, however, the improved diversification and opportunity set that these strategies offer are apt to outweigh their potential cost drag, awarding investors a more efficiently designed

portfolio and help them experience a smoother ride toward their targeted retirement date.

Target Date Allocation as of 12-31-11



Quarterly Returns as of 12-31-11

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2007	1.40	5.04	1.76	-2.13	6.07
2008	-8.05	-1.62	-12.37	-19.99	-36.58
2009	-10.06	18.74	14.31	3.29	26.10
2010	2.78	-7.28	10.25	6.55	11.95
2011	3.94	0.93	-10.59	4.26	-2.20

Trailing Returns as of 12-31-11

	Total Ret%	+/- Bmark	+/- Cat
1Yr	-2.20	3.08	1.89
3Yr Avg	11.35	1.82	-1.39
5Yr Avg	-1.47	0.92	-0.13
10Yr Avg	—	—	—
Since Incep	6.36	—	—

Performance Disclosure: The performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than return data quoted herein. The investment return will fluctuate thus an investor's shares, when redeemed, may be worth more or less than their original cost. Principal invested is not

guaranteed at any time, including at or after the fund's 2045 retirement date.

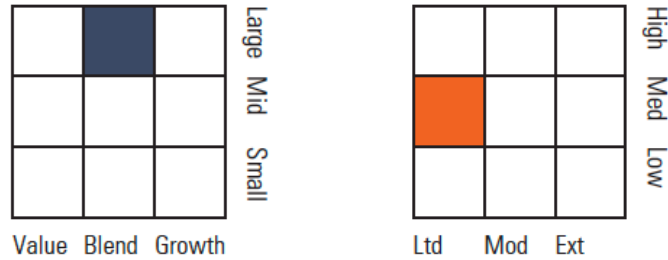
For more current information including month-end performance please call 888-401-SERP (7377) or visit www.401k.com. Please refer to the performance section of the disclosure page for more information.




Portfolio Analysis as of 12-31-11







Underlying Funds as of 12-31-11	% Assets
International Stock	36.49
Alternative Investments	29.93
Large Cap US Stock Fund	20.54
Global Bond Fund	10.07
Small Cap US Stock Fund	2.98

Top 10 Manager Strategies as of 12-31-11	% Assets
BlackRock Emerging Markets	7.73
GMO Quality US Equity	7.01
American Century US Equity	6.88
BlackRock Russell 1000	6.65
BlackRock EAFE (International Stock)	6.54
.....	
IVA Worldwide	6.49
Lazard Emerging Market	6.44
Cantillon Global Equity	5.66
SSGA Emerging Market	3.63
Western Asset Management Bond	2.69

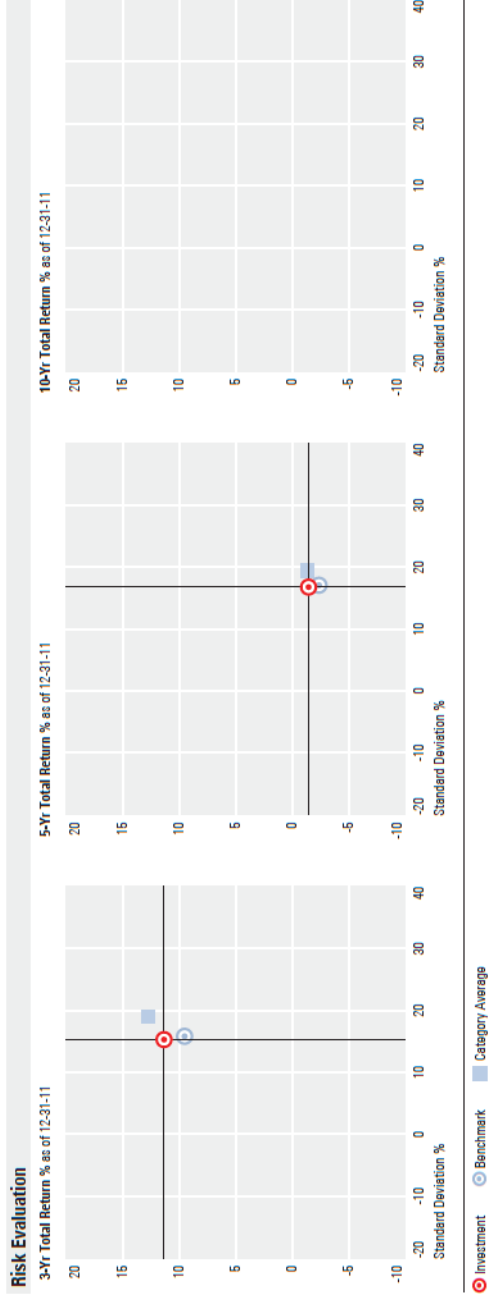
Morningstar Style Box™ as of 12-31-11 (EQ) ; 09-30-11 (F-I)



Morningstar Super Sectors as of 12-31-11	% Fund
 Cyclical	32.14
 Sensitive	38.95
 Defensive	28.92

Morningstar F-I Sector as of 12-31-11	% Fund
 Government	20.24
 Corporate	22.26
 Securitized	11.42
 Municipal	0.67
 Cash & Equivalents	37.58
 Other	7.84

Additional information on the Underlying Funds and Manager Strategies is available under Fund Descriptions and/or in the respective core fund factsheets on 401k.com.



Allocation By Asset Class as of 12-31-11

	Mkt Value (\$mil)	Allocation (%)
Global Equity	104.26	84.93
Hedge Funds	30.60	24.93
Large Cap Domestic	25.21	20.54
International Developed Markets	22.95	18.69
Emerging Markets	21.85	17.80
Small Cap Domestic	3.66	2.98
Private Equity/Venture Capital	0.00	0.00
	Mkt Value (\$mil)	Allocation (%)
Global Fixed Income	12.36	10.07
Global Government Bonds	3.83	3.12
Securitized	1.85	1.51
Investment Grade Credit	1.98	1.61
Global Tips	1.36	1.11
Distressed Debt Alternatives	0.00	0.00
Non-Investment Grade Credit	1.24	1.01
Cash & Equivalents	2.10	1.71
Stable Value	0.00	0.00
	Mkt Value (\$mil)	Allocation (%)
Real Assets	6.13	5.00
Commodity Futures	6.13	5.00
Private Natural Resources	0.00	0.00
Private Real Estate	0.00	0.00

Fund Descriptions

Global Bond Fund

The fund seeks to provide protection from both deflation and inflation while providing current income. The fund invests in high quality government and corporate bonds, and global inflation-indexed bonds for inflation protection. The fund also invests approximately 30% in emerging market debt, high yield, and asset/mortgage backed securities for their growth opportunities. The fund aims to exceed the performance of the Barcap U.S. Aggregate Bond Index.

International Stock

The investment seeks to provide exposure to international developed and emerging market stocks, the combination of which varies from an equal weighting to an all developed market mix at retirement. The investment seeks to match or exceed the performance of the MSCI All Country World Index ex-US Index, a market capitalization index designed to measure equity market performance of international developed and emerging market countries.

Large Cap U.S. Stock Fund

The fund seeks to match or exceed the performance of the Russell 1000 Index®, an index designed to measure performance of the broad domestic economy through changes in the aggregate market value of the largest 1,000 domestic stocks. The Russell 1000 Index® focuses on the large and mid capitalization segment of the market, with approximately 90 percent coverage of U.S. stocks.

Small Cap U.S. Stock Fund

The fund seeks to match or exceed the performance of the Russell 2000® Index, a free float-adjusted market capitalization index representing 2000 small company stocks of U.S. domiciled companies. The investment seeks to provide long-term capital growth.

Commodities

Commodities seek to provide a long term hedge against inflation. The commodity portfolio is comprised of investments intended to both track and outperform a blend of broad market indices, including the DJ-UBS Commodity, S&P-GSCI, Reuters-Jeffries CRB, and Rogers International Commodity indices.

Hedge Funds

Hedge funds are broadly categorized into two trading strategies. Absolute return hedge funds seek to deliver positive returns under all market conditions. Directional hedge funds seek to provide comparable returns to the equity markets with significantly lower volatility. The funds aim to exceed the performance of the HFRI Fund of Funds Composite Index.

Operations

Expense Ratio	0.71% of fund assets
Fund Inception Date	04-27-04
Total Fund Assets (\$mil)	122.76

Index Composition

The index is adjusted quarterly to reflect the fund's target allocation for each asset class: Russell 1000 & 2000 for Large & Small Cap U.S. Stock, MSCI ACWI ex U.S. for International Stock, Barcap U.S. Aggregate Bond for Global Bond, HFRI FoF Composite for Hedge Fund, ML

Wrapped 1-5Yr Corp/Govt Index for Stable Value, and DJ
UBS Commodity Index for Commodities.

Morningstar Disclosure Some of the returns and Morningstar proprietary calculations, may be based on pre-inception returns and are hypothetical. Morningstar may use the performance of the underlying investment vehicle for the prior periods, making adjustments to those returns for any difference in fee structure. The evaluation of this investment does not affect the retail mutual fund data published by Morningstar. This investment's metrics are compared against the retail mutual fund universe breakpoints to determine its hypothetical rating and category related statistics. The Morningstar Rating that is reflected on this page is hypothetical. The Rating is considered hypothetical because Morningstar does not independently analyze the "custom fund" universe. Rather the Rating is assigned to the "custom fund" as a means to compare the institutional funds with the universe of mutual funds that Morningstar Rates.

Disclosure

When used as supplemental sales literature, the Investment Profile must be preceded or accompanied by the fund's current prospectus as well as this disclosure statement. The performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares when redeemed may be worth more or less than the original investment. Fund portfolio statistics change over time. The fund is not FDIC-insured, may lose value and is not guaranteed by a bank or other financial institution.

Performance

Total return reflects performance without adjusting for sales charges or the effects of taxation, but is adjusted to reflect all actual ongoing fund expenses and assumes reinvestment of dividends and capital gains. If adjusted, sales charges would reduce the performance quoted.

The fund's performance is compared with that of an index. The index is an unmanaged portfolio of specified securities and the index does not reflect any initial or ongoing expenses. A fund's portfolio may differ significantly from the securities in the index.

Morningstar Fixed-Income Style Box

For fixed-income funds, the vertical axis shows the credit quality of the long bonds owned and the horizontal axis shows interest rate sensitivity as measured by a bond's effective duration.

Morningstar seeks credit rating information from fund companies on a periodic basis (e.g., quarterly). In

compiling credit rating information, Morningstar instructs fund companies to only use ratings that have been assigned by a Nationally Recognized Statistical Rating Organization (NRSRO). If two NRSROs have rated a security, fund companies are to report the lowest rating; if three or more NRSROs have rated the same security differently, fund companies are to report the rating that is in the middle. For example, if NRSRO X rates a security AA-, NRSRO Y rates the same security an A and NRSRO Z rates it a BBB+, the fund company should use the credit rating of 'A' in its reporting to Morningstar. PLEASE NOTE: Morningstar, Inc. is not itself an NRSRO nor does it issue a credit rating on the fund. An NRSRO rating on a fixed-income security can change from time-to-time.

For credit quality, Morningstar combines the credit rating information provided by the fund companies with an average default rate calculation to come up with a weighted-average credit quality. The weighted-average credit quality is currently a letter that roughly corresponds to the scale used by a leading NRSRO. Bond funds are assigned a style box placement of "low", "medium", or "high" based on their average credit quality. Funds with a low credit quality are those whose weighted-average credit quality is determined to be less than "BBB-"; medium are those less than "AA-", but greater or equal to "BBB-"; and high are those with a weighted-average credit quality of "AA-" or higher. When classifying a bond portfolio, Morningstar first maps the NRSRO credit ratings of the underlying holdings to their respective default rates (as determined by Morningstar's analysis of actual historical default rates). Morningstar then averages these default rates to determine the average default rate for the entire bond fund. Finally, Morningstar

maps this average default rate to its corresponding credit rating along a convex curve.

For interest-rate sensitivity, Morningstar obtains from fund companies the average effective duration. Generally, Morningstar classifies a fixed-income fund's interest-rate sensitivity based on the effective duration of the Morningstar

Core Bond Index (MCBI), which is currently three years. The classification of Limited will be assigned to those funds whose average effective duration is between 25% to 75% of MCBI's average effective duration; funds whose average effective duration is between 75% to 125% of the MCBI will be classified as Moderate; and those that are at 125% or greater of the average effective duration of the MCBI will be classified as Extensive.

For municipal bond funds, Morningstar also obtains from fund companies the average effective duration. In these cases static breakpoints are utilized. These breakpoints are as follows: (i) Limited: 4.5 years or less; (ii) Moderate: more than

4.5 years but less than 7 years; and (iii) Extensive: more than 7 years. In addition, for non-US taxable and non-US domiciled fixed income funds static duration breakpoints are used: (i) Limited: less than or equal to 3.5 years; (ii) Moderate: greater than 3.5 and less than equal to 6 years; (iii) Extensive: greater than 6 years.

Risk Measures

Beta is a measure of a fund's sensitivity to market movements. A portfolio with a beta greater than 1 is more volatile than the market, and a portfolio with a beta less than 1 is less volatile than the market.

Standard deviation is a statistical measure of the volatility of the fund's returns.

Investment Risk

Foreign Securities Funds/Emerging Market Funds: The investor should note that funds that invest in foreign securities involve special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Sector Funds: The investor should note that funds that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

Non-Diversified Funds: The investor should note that funds that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

Small Cap Funds: The investor should note that funds that invest in stocks of small companies involve additional risks. Smaller companies typically have a higher risk of failure, and are not as well established as larger blue-chip companies. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.

Mid Cap Funds: The investor should note that funds that invest in companies with market capitalizations below \$10 billion involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

High-Yield Bond Funds: The investor should note that funds that invest in lower-rated debt securities (commonly referred to as junk bonds) involve additional risks because of the lower credit quality of the securities

in the portfolio. The investor should be aware of the possible higher level of volatility, and increased risk of default.

Tax-Free Municipal Bond Funds: The investor should note that the income from tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax.

Fund of Funds: It is important to note that an investment option with mutual funds in its portfolio may be subject to the expenses of those mutual funds in addition to those of the investment option itself.

LifeCycle Risk

Target-date funds typically invest in other investments and are designed for investors who are planning to retire during the target date year. The fund's target date is the approximate date of when investors expect to begin withdrawing their money. A Target-date fund's investment objective/strategy typically becomes more conservative over time primarily by reducing its allocation to equity investments and increasing its allocations in fixed-income investments. An investor's principal value in a target-date fund is not guaranteed at anytime, including at the fund's target date.

Additional Information

For more information about this fund, visit www.401k.com, or call 888-401-SERP (7377). Investment objectives, risks, charges, expenses, and other important information about a fund are contained in the prospectus; read it carefully before investing.

Fund Specific Notes

Global Diversified Fund

Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation. Unit price, yield and return will vary.

This fund is administered pursuant to directions from the Intel Corporation Investment Policy Committee (IPC), which provided the description for this investment option.

401K Global Diversified Fund

Fixed income investments are diversified across nominal and inflation-linked bonds issued by the U.S. government, foreign governments, corporations and other entities. In general, bond prices rise when interest rates fall, and vice versa. This effect is usually more pronounced for longer-term securities. Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation. Unit price, yield and return will vary.

This fund is administered pursuant to directions from the Intel Corporation Investment Policy Committee (IPC), which provided the description for this investment option.

Retirement Contribution Target Date Funds

The funds are managed to gradually become more conservative over time as they approach their target date. The investment risk of each Retirement Contribution Target Date Fund changes over time as its asset allocation changes. They are subject to the volatility of the financial

markets, including that of equity and fixed income investments in the U.S. and abroad, and may be subject to risks associated with investing in high-yield, small-cap, and foreign securities. Principal invested is not guaranteed at any time, including at or after their target dates. Unit price, yield and return will vary.

This fund is administered by the Intel Corporation Investment Policy Committee (IPC), which provided the description for this investment option.

Stable Value Fund

Lower-quality debt securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. In general the bond market is volatile, and bond funds entail interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Bond funds also entail the risk of issuer or counterparty default, issuer credit risk, and inflation risk. Unit price, yield and return will vary.

The Stable Value Fund is an individually managed account. It is not a mutual fund. It is managed by BNY Mellon Asset Management Company, LLC. Intel provided the description.

The Fund strives to provide principal stability, but cannot guarantee that it will be able to do so, and its yield will fluctuate.

Stable Value Fund (401k)

Lower-quality debt securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. In general the bond market is volatile, and bond funds entail interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term

securities.) Bond funds also entail the risk of issuer or counterparty default, issuer credit risk, and inflation risk. Unit price, yield and return will vary.

The Stable Value Fund is an individually managed account. It is not a mutual fund. It is managed by BNY Mellon Asset Management Company, LLC. Intel provided the description.

The Fund strives to provide principal stability, but cannot guarantee that it will be able to do so, and its yield will fluctuate.

You are not permitted to make a direct exchange from the Stable Value Fund to the Fidelity U.S. Treasury Money Market Fund (considered a “competing fund”). Before exchanging from the Stable Value Fund to the Fidelity U.S. Treasury Money Market Fund, you must first move the assets to a "non-competing fund" for 90 days. While these requirements may seem restrictive, they are typically imposed by issuers, such as insurance companies, banks, or other approved financial institutions, as a condition for issuing investment contracts to retirement plans. Investments in the Stable Value Fund are not guaranteed by BNY Mellon Asset Management, LLC, or the plan sponsor, and are not insured by the FDIC.

Global Bond Fund

This fund is administered pursuant to directions from the Intel Corporation Investment Policy Committee (IPC), which provided the description for this investment option.

Although a separate prospectus is not available, participants have access to detailed information about the Global Bond Fund via Fidelity NetBenefits®. To view the performance of this investment option, visit NetBenefits®

at www.401k.com. Once you enter your SSN or Customer ID and PIN, select SERP 401(k) > Investment Choices and Research. For more detailed information, select the Quarterly Fund Fact Sheets link within Employer News on the home page. Information on this investment option was provided by Intel Corporation.

Intel Stock Fund

The Intel Stock Fund is not a mutual fund and is neither a managed nor diversified investment option. Since the fund invests in only one stock, a portfolio manager does not actively manage this investment option. Information on this investment option was provided by Intel Corporation.

International Stock

This fund is administered pursuant to directions from the Intel Corporation Investment Policy Committee (IPC), which provided the description for this investment option.

The Morgan Stanley Capital International Europe, Australasia and Far East Index (MSCI EAFE) is an unmanaged market capitalization-weighted index designed to represent the performance of developed stock markets outside the United States and Canada.

Large Cap U.S. Stock Fund

The Russell 1000® Index is an unmanaged market capitalization-weighted index measuring the performance of the 1,000 largest companies in the Russell 3000® Index and is an appropriate index for broad-based large-cap funds.

Lazard Emerging Markets

Managed by Lazard Asset Management, which provided the description for this fund.

Target Date Funds

The funds are managed to gradually become more conservative over time as they approach their target date. The investment risk of each Target Date Fund changes over time as its asset allocation changes. They are subject to the volatility of the financial markets, including that of equity and fixed income investments in the U.S. and abroad, and may be subject to risks associated with investing in high-yield, small-cap, and foreign securities. Principal invested is not guaranteed at any time, including at or after their target dates. Unit price, yield and return will vary.

This fund is administered pursuant to directions from the Intel Corporation Investment Policy Committee (IPC), which provided the description for this investment option.

SSgA Active Emerging Markets Non-Lending Series Fund- Class B

Foreign securities are subject to interest-rate, currency-exchange-rate, economic, and political risks, all of which are magnified in emerging markets. Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Unit price and return will vary.

Managed by State Street Global Advisors, which provided the description for this fund.

SSgA Nasdaq-100 Index® Non-Lending Series Fund - Class A

The fund employs full replication, holding stocks in proportion to their weight in the NASDAQ 100 Index. Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer,

political, regulatory, market, or economic developments. Sector funds can be more volatile because of their narrow concentration in a specific industry. Unit price and return will vary.

This fund is managed by SSgA, who provided the description for this fund.

Small Cap U.S. Stock Fund

This investment is not a mutual fund but a collective investment that pools the assets of tax qualified employee benefit plans into a single fund with a common objective.

Goal: The investment seeks to provide long-term capital growth.

This fund is administered pursuant to directions from the Intel Corporation Investment Policy Committee (IPC), which provided the description for this investment option.

EXHIBIT 9



3Q 09.30.15

Target Date 2035 Fund

Morningstar Category:	Morningstar
Return:	
Target Date 2031-35	Low
Benchmark:	Morningstar Risk:
2035 Composite Benchmark	Low

Overall Morningstar Rating™



Rated against 224 2031-2035 funds. An Investment Overall Morningstar Rating, based on its risk-adjusted return is a weighted average of its applicable 3-, 5-, and 10-year ratings. See disclosure for details. This data is based on historical performance.

Manager Summary

Intel has selected AB to help manage this proprietary custom series of target-date funds. In this role, AB designs, monitors and adjusts the Fund's asset mix. AB also rebalances the Fund's portfolio to keep it on track, and performs other investment-related services. AB and Intel have partnered with Morningstar on the production of these fact sheets, as well as the Fund ratings, categorization and analyst commentary included here.

Objective

The Fund seeks to provide long-term growth of capital (generating both income and capital appreciation) with an age-appropriate degree of risk consistent with the Fund's investment mix.

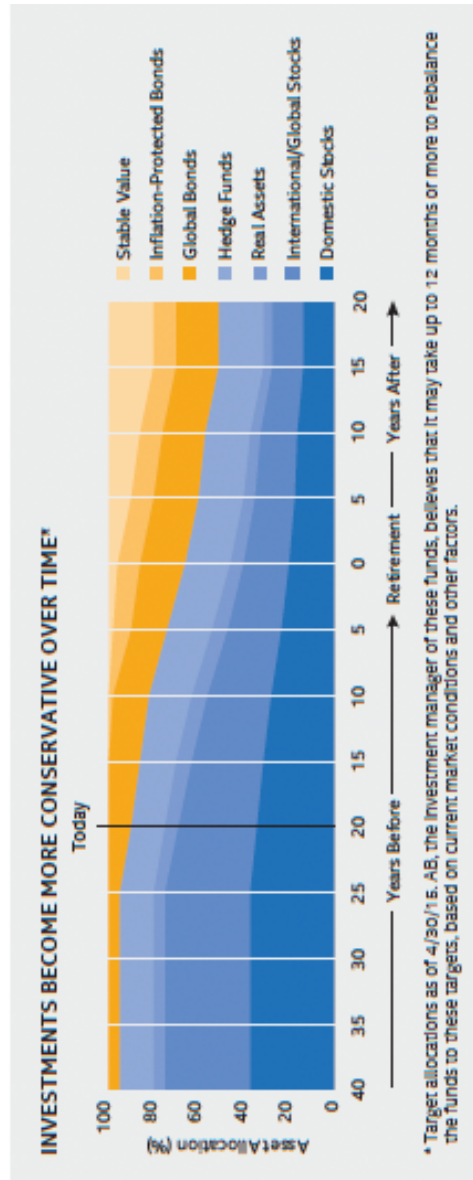
Investment Strategy

- Target-date funds are designed for investors expecting to retire around the year indicated in each fund's name. The Funds are managed to gradually become more conservative over time as they approach their target date. The Fund's "target date" is the approximate year when an investor may expect to retire and begin withdrawing from his or her account.
- When the Fund reaches its target date; its investment mix will be 46% stocks/real assets, 20% hedge funds and 34% bonds/stable value.
- The Fund continues to adjust its asset allocation through retirement and reaches its final investment mix 15 years after the target date.
- The Fund will gradually shift to a more conservative asset mix by incrementally decreasing its stock allocation and increasing its bond allocation, while maintaining a fixed allocation to hedge funds. The Fund's final investment mix will be 31% stocks/real assets, 20% hedge funds and 49% bonds/stable value.

Primary Investments

- A diversified mix of stocks, bonds, alternatives and short-term investments.

- This investment is not a mutual fund or a collective investment. It is a specifically weighted selection



from the investments held in the Intel Corporation Retirement Plans Master Trust.

Investment Products Offered

- Are Not FDIC Insured
- May Lose Value
- Are Not Bank Guaranteed

Investment in a target-date fund does not guarantee sufficient income in retirement.

Morningstar Analyst Report as of 09/30/2015

This fund is undergoing some moderate changes. Intel recently hired consultant AB to help with the design of the fund's glide path, as well as its asset allocation and portfolio construction. AB isn't overhauling the makeup of this fund, but it is toning down some of its peculiarities. For example, the fund will no longer sport as large an overweight in overseas stocks as it used to. It will invest more in domestic equities, while reducing its relative exposure to non-US developed and emerging markets. At the same time, the fund will see its hedge-fund stake go down slightly. The allocation to hedge funds will also emphasize more growth-oriented, rather than defensive, strategies.

Even though the changes put into effect by AB will bring the fund's asset-allocation mix slightly closer to that of the typical fund in the Morningstar category, this fund will retain a lot of its distinctive characteristics. To wit, it will continue to use a combination of passive and active strategies across its equity exposure. The active strategies focus heavily on risk-adjusted returns, protecting the fund well in downturns. A few of the managers, such as Cantillon Capital Management and International Value Advisers, run global strategies, too,

utilizing a stock-by-stock bottom-up approach to portfolio construction. Such high-conviction strategies provide a sensible complement to the index funds elsewhere in the fund. The fund's inclusion of hedge-fund strategies is also unusual compared to traditional off-the-shelf target-date funds; it's an allocation that has the potential to goose risk-adjusted returns when traditional equities and bonds struggle.

The potential for this and other funds in the suite has yet to be fully realized, though. Markets were strangely one dimensional in 2014, with the S&P 500 Index and Barclays US Aggregate Bond Index being among the very top performers in their respective asset classes. The broad diversification that this fund has was of little use, as small-cap, foreign and hedged strategies all underperformed. It's also worth noting that equities (and bonds, albeit to a lesser extent) are coming off an exceptionally strong run. It's not hard to predict that the next several years may bring tougher sledding. This fund's multiple sources of return and risk are sure to shine through, however, if markets enter a more volatile stage.

Performance Summary*

	QTD	YTD	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception
Target Date 2035 Fund	-6.76%	-5.28%	-5.28%	4.18%	5.24%	3.07%	3.91%

* The Fund's inception date is 06/01/2004. Performance is presented net of fees. Periods of less than one year represent cumulative returns.

2035 Composite Benchmark[†]	-8.59	-4.90	-5.48	3.95	4.35	2.67	3.54
MSCI World Net Index	-8.45	-6.04	-5.09	8.58	8.29	4.73	5.87
Category Average	-7.34	-5.14	-3.39	6.84	7.87	4.40	—
Sharpe Ratio	—	—	-0.88	0.70	0.68	—	—
Morningstar Rating	—	—	—	1	1	2	—

[†] The benchmark for each target-date fund is a customized benchmark that has the same asset allocation as the Fund's target asset allocation, and uses index returns to represent the performance of the asset classes. The benchmark returns were calculated by weighting the monthly index returns of each asset class by the Fund's monthly target allocation for each asset class. Effective April 30, 2015, the Russell 1000 TR Index is used to represent Large-Cap US Stocks, the Russell 2000 TR Index is used to represent Small-Cap US Stocks, the MSCI EAFE IMI NR UH is used to represent International Stocks, the MSCI ACWI IMI NR UH is used to represent Global Stocks, the MSCI EM IMI NR UH is used to represent Emerging Markets Stocks, the Bloomberg Commodity TR Index is used to represent Real Assets, the HFRI Equity Hedge Index (1-month lag) is used to represent Growth-Oriented Hedge Funds, the HFRI FoF: Conservative Index (1-month lag) is used to represent Defensive-Oriented Hedge Funds, the 50% Citi WGBI/50% BofAML US HY Master II TR Index is used to represent Opportunistic Bonds, the Barclays US Agg Bond TR Index is used to represent Core Bonds, the Barclays US Treasury 1-10 Year TIPS Index is used to represent TIPS, and the BofAML US 3-Mo Treasury Bill Index is used to represent Stable Value.

Prior to April 30, 2015, the benchmark was adjusted quarterly to reflect the Fund's target asset allocation for each asset class, and the underlying holdings in each asset class.

Number of Funds in Category	224	215	202	156	124	35	—
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Quarterly Returns as of 09/30/2015

	1Q	2Q	3Q	4Q	Annual
2011	3.98%	0.95%	-10.50%	4.42%	-1.91%
2012	7.45	-3.14	4.92	1.93	11.31
2013	4.40	-0.61	3.64	4.73	12.64
2014	1.90	3.47	-1.40	-0.01	3.95
2015	1.26	0.33	-6.76	—	—

Trailing Revenues as of 9/30/2015

	Total Return %	+/- Benchmark	+/- Category
1 Year	-5.28%	0.20%	-1.89%
3-Year Avg.	4.18	0.23	-2.66
5-Year Avg.	5.24	0.89	-2.63
10-Year Avg.	3.07	0.40	-1.33
Since Inception	3.91	0.37	—

General Information

Expense Ratio [‡]	0.92%
Portfolio Turnover Rate	13% (as of September 30, 2015)
Total Fund Assets (USD Mil.)	695.58

[‡] Expense Ratio includes the Management Fee, variable performance

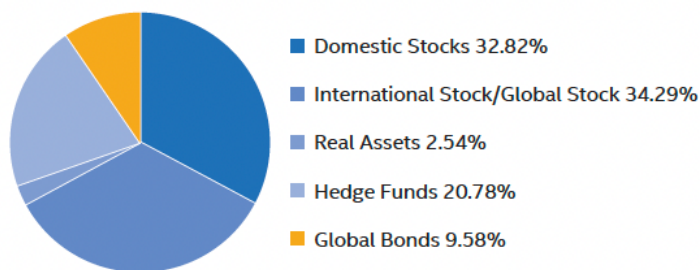
Additional Information

Video

[How to read and get more from your fact sheet](#)

[Click here for current performance](#)

Allocation by Asset Class



fees, which are payable only to select managers who exceed performance targets, and wrap/insurance fees to ensure principal stability.

Portfolio Construction

	Actual % of Portfolio
Domestic Stocks	
Large Cap Pool	25.48%
American Century Value Yield	9.78%
BlackRock Russell 1000 Unitized Account	5.96%
GMO Quality	9.74%
Small Cap Pool	7.34%
BlackRock Russell 2000 Unitized Account	5.09%
Segall Bryant Small Cap	2.26%
International Stock/Global Stock	
International Pool	9.77%
BlackRock EAFE Unitized Account	7.98%
LSV International Small Cap	1.79%
Global Equity Pool	14.91%
Cantillon Global Equity	7.39%
IVA Global Equity	7.52%
Emerging Markets Pool	9.61%
BlackRock Emerging Markets (Hedged)	1.64%
BlackRock MSCI Emerging Markets Fund	1.49%
Lazard Emerging Markets Daily	3.80%
LSV Emerging Markets Fund	1.60%
Somerset Emerging Markets SMID All Country	1.09%

Actual allocations will change over time. Columns may not sum due to rounding.

	Actual % of Portfolio
Real Assets	
Diversified Real Asset Pool	2.54%
BlackRock Dow Jones UBS Commodities Daily	1.23%
Blackstone Resources Select	1.31%
Hedge Funds	
Defensive Oriented Hedge Fund Pool	7.47%
Intel Defensive Oriented Hedge Fund	7.46%
Growth Oriented Hedge Fund Pool	13.31%
Intel Growth Oriented Hedge Fund	13.31%
Global Bonds	
Global Bond Pool	4.46%
BlackRock Debt Index Daily (Global Bond)	0.13%
Colchester Global Bond	0.99%
MacKay Shields Core Fixed Income	1.82%
Segall Bryant Core Fixed Income	1.54%
Opportunistic Bond Pool	5.12%
BlackRock Debt Index Daily (Opportunistic)	0.23%
Franklin Templeton Global Bond	2.38%
Guggenheim Opportunistic Bond Fund	2.49%

Actual allocations will change over time. Columns may not sum due to rounding.

Additional information on the Underlying Funds and Manager Strategies is available under Fund Descriptions and/or in the respective core fund fact sheets at www.netbenefits.com/intel.

Disclosure

When used as supplemental sales literature, the Investment Profile must be preceded or accompanied by the fund's current prospectus as well as this disclosure statement. The performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares when redeemed may be worth more or less than the original investment. Fund portfolio statistics change over time. The fund is not FDIC-insured, may lose value and is not guaranteed by a bank or other financial institution.

No assurance can be given that the fund will continue to invest its assets, or the same portion of assets, in the underlying funds or manager strategies represented here. The furnishing of information with respect to the underlying funds and manager strategies does not constitute a representation that participant balances in the fund will be invested in the future in the same percentages represented here, or at all, nor does it constitute a representation that the percentage allocations above will remain the same in the future for the purpose of determining the expected performance of the fund.

MORNINGSTAR DISCLOSURE: Some of the returns and Morningstar proprietary calculations may be based on pre-inception returns and are hypothetical. Morningstar may use the performance of the underlying investment vehicle for the prior periods, making adjustments to those returns for any difference in fee structure. The evaluation of this investment does not affect the retail mutual fund data published by Morningstar. This investment's metrics are compared against the retail mutual fund universe breakpoints to

determine its hypothetical rating and category-related statistics. The Morningstar Rating that is reflected is hypothetical. The Rating is considered hypothetical because Morningstar does not independently analyze the “custom fund” universe. Rather, the Rating is assigned to the “custom fund” as a means to compare the institutional funds with the universe of mutual funds that Morningstar rates.

PERFORMANCE: Total return reflects performance without adjusting for sales charges or the effects of taxation, but is adjusted to reflect all actual ongoing fund expenses and assumes reinvestment of dividends and capital gains. If adjusted, sales charges would reduce the performance quoted.

The fund’s performance is compared with that of an index. The index is an unmanaged portfolio of specified securities and the index does not reflect any initial or ongoing expenses. A fund’s portfolio may differ significantly from the securities in the index.

INVESTMENT RISK: The value of your investment in the Fund will change with changes in the values of the Fund’s investments in the underlying funds. There is no assurance that the Fund will provide an investor with adequate income at or through retirement. **Allocation Risk:** The allocation of investments among the underlying funds’ different investment styles, such as equity or debt securities, or US or non-US securities, may have a more significant effect on the Fund’s net asset value (“NAV”) when one of these investments is performing more poorly than the other. There is no assurance that allocation decisions will result in the desired effects. Subjective decisions made by the investment manager may cause the Fund to incur losses or to miss profit opportunities on which it might otherwise have capitalized. **Market Risk:**

The value of the Fund's investments will fluctuate as the stock or bond market fluctuates. The value of its investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market. It includes the risk that a particular style of investing may be underperforming the stock market generally. **Interest-Rate Risk:** Changes in interest rates will affect the value of the Fund's investments in underlying funds that invest in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tends to fall and this decrease in value may not be offset by higher income from new investments. Interest-rate risk is generally greater for fixed-income securities with longer maturities or durations. **Credit Risk:** An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default, causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments by underlying funds in fixed-income securities with lower ratings are subject to a higher probability that an issuer will default or fail to meet its payment obligations. **Inflation Risk:** This is the risk that the value of assets or income from the Fund's investments in the underlying funds will be less in the future as inflation decreases the value of money. As inflation increases, the value of each underlying fund's assets can decline as can the value of that underlying fund's distributions. **Foreign (Non-US) Risk:** Investments in non-US issuers by underlying funds may

involve more risk than investments in US issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, and regulatory or other factors. **Emerging Market Risk:** Investments by underlying funds in emerging-market countries may involve more risk than investments in other foreign countries because the markets in emerging-market countries are less developed and less liquid as well as subject to increased economic, political, regulatory and other uncertainties. **Currency Risk:** Fluctuations in currency exchange rates may negatively affect the value of the Fund's investments or reduce its returns. **Capitalization Risk:** Investments in small- and mid-capitalization companies by underlying funds tend to be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies often have limited product lines, markets, or financial resources. **Derivatives Risk:** Derivatives may be illiquid, difficult to price, and leveraged so that small changes may produce disproportionate losses, and may be subject to counterparty risk to a greater degree than more traditional investments. **Leverage Risk:** Borrowing money or other leverage may make an underlying fund's investments more volatile because leverage tends to exaggerate the effect of any increase or decrease in the value of its investments. An underlying fund may create leverage through the use of certain portfolio management techniques such as reverse repurchase agreements or forward commitments, or by borrowing money. **Diversification Risk:** The Fund may have more risk because it is "non-diversified," meaning that it can invest more of its assets in a smaller number of issuers. **Management Risk:** The Fund is subject to management risk because it is an actively managed investment fund.

The investment manager will apply its investment techniques and risk analyses in making investment decisions for the Fund, but there is no guarantee that its techniques will produce the intended results.

As with all investments, you may lose money by investing in the Fund.

PERFORMANCE DISCLOSURE: The performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the return data quoted herein. The investment return will fluctuate; thus, an investor's shares, when redeemed, may be worth more or less than their original cost. Principal invested is not guaranteed at any time.

For more current information, including month-end performance, please call 888-401-SERP (7377) or visit www.netbenefits.com/intel.

LIFE CYCLE RISK: Target-date funds typically invest in other investments and are designed for investors who are planning to retire during the target-date year. The fund's target date is the approximate date of when investors expect to begin withdrawing their money. A target-date fund's investment objective/strategy typically becomes more conservative over time, primarily by reducing its allocation to equity investments and increasing its allocations in fixed-income investments. An investor's principal value in a target-date fund is not guaranteed at any time, including at the fund's target date.

FUND SPECIFIC NOTES:

Target-Date Funds: The funds are managed to gradually become more conservative over time as they approach their target date. The investment risk of each

target-date fund changes over time as its asset allocation changes. Target-date funds are subject to the volatility of the financial markets, including that of equity and fixed-income investments in the US and abroad, and may be subject to risks associated with investing in high-yield, small-cap and foreign securities. Principal invested is not guaranteed at any time, including at or after the target date. Unit price, yield and return will vary.

This fund is administered pursuant to directions from the Intel Corporation Investment Policy Committee (IPC) and AB, which provided the description for this investment option.

Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than US investments. This risk includes the political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation. Unit price, yield and return will vary. The investment option is a custom strategy fund. It is managed by AllianceBernstein L.P. (AB). AB provided the description for this investment, which is intended to be a brief overview of the Fund.

ADDITIONAL INFORMATION

For more information about this fund, visit www.netbenefits.com/intel, or call 888-401-SERP (7377).

Information was provided by Intel Corporation. Fidelity Investments is not responsible for its content.

EXHIBIT 10



3Q 09.30.15

Target Date 2015 Fund

Morningstar Category:	Morningstar
Return:	
Target Date 2011-2015	Average
Benchmark:	Morningstar Risk:
2015 Composite Benchmark	Low

Overall Morningstar Rating™



Rated against 188 2011-2015 funds. An investment's Overall Morningstar Rating, based on its risk-adjusted return is a weighted average of its applicable 3-, 5-, and 10-year ratings. See disclosure for details. This data is based on historical performance.

Manager Summary

Intel has selected AB to help manage this proprietary custom series of target-date funds. In this role, AB designs, monitors and adjusts the Fund's asset mix. AB also rebalances the Fund's portfolio to keep it on track, and performs other investment-related services. AB and Intel have partnered with Morningstar on the production of these fact sheets, as well as the Fund ratings, categorization and analyst commentary included here.

Objective

The Fund seeks to provide long-term growth of capital (generating both income and capital appreciation) with an age-appropriate degree of risk consistent with the Fund's investment mix.

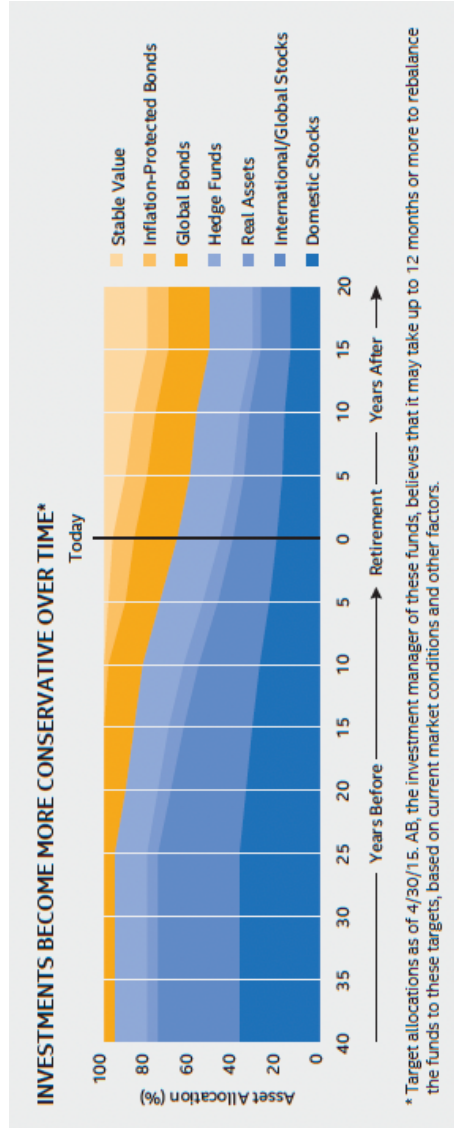
Investment Strategy

- Target-date funds are designed for investors expecting to retire around the year indicated in each fund's name. The Funds are managed to gradually become more conservative over time as they approach their target date. The Fund's "target date" is the approximate year when an investor may expect to retire and begin withdrawing from his or her account.
- The Fund has reached its target date and will continue to adjust its asset allocation through retirement. The Fund will reach its final investment mix 15 years after the target date, when it will gradually shift to a more conservative asset mix by incrementally decreasing its stock allocation and increasing its bond allocation, while maintaining a fixed allocation to hedge funds.
- The Fund's final investment mix will be 31% stocks/real assets, 20% hedge funds and 49% bonds/stable value.

Primary Investments

- A diversified mix of stocks, bonds, alternatives and short-term investments.

- This investment is not a mutual fund or a collective investment. It is a specifically weighted selection from the investments held in the Intel Corporation Retirement Plans Master Trust.



Investment Products Offered

- Are Not FDIC Insured
- May Lose Value
- Are Not Bank Guaranteed

Investment in a target-date fund does not guarantee sufficient income in retirement.

Morningstar Analyst Report as of 09/30/2015

This fund, which is suited for investors in retirement, is undergoing some slight changes in its asset-allocation makeup. Under the guidance of newly hired consultant AB, the fund's equity stake will rise to about 38%, from 35%, of assets. The composition of that equity sleeve will change, too, with an increased allocation to domestic equities from international and emerging-market stocks. At the same time, the fund will raise its allocation to inflation-protected bonds and opportunistic fixed income, while lowering its exposure to hedge funds from 25% to 20%.

While the tweaks in the fund's asset allocation bring its mix a bit closer to that of a typical fund in the Morningstar category and industry benchmarks, this fund remains distinctive when compared to most off-the-shelf target-date offerings. For one thing, the vast majority of target-date funds don't have access to hedge funds. This fund continues to devote about 20% to alternatives. Nor are rival offerings composed of funds from a diverse set of asset managers (most off-the-shelf funds only include proprietary strategies). Distinctive too is the fact that this fund invests in both active and passive vehicles and employs best-of-breed active managers for alpha generation. Given the fund's scale and access, we think it

is optimally positioned, with diversified sources of both risk and return.

The benefits of such diversification have not been on full display lately. Indeed, plain-vanilla asset allocation (in perhaps its crudest form) has worked better. Domestic large-caps were the clear winner in 2014, while non-US stocks, especially those in emerging markets, languished. Meanwhile, hedge-fund returns were relatively pedestrian in 2014, as hedged strategies lagged. The active equity managers in this fund underperformed, too, as their globally-minded, risk-conscious approach to investing generated meager returns relative to the S&P 500 Index. Despite this recent underperformance, this fund's dynamic makeup enables it to generate steady risk-adjusted returns going forward.

Performance Summary*

	QTD	YTD	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception
Target Date 2015 Fund	-4.39%	- 3.23%	- 3.14%	4.52%	5.24%	4.15%	4.74%
2015 Composite Benchmark[†]	-6.25	-3.22	-3.60	4.19	4.30	—	—

* The Fund's inception date is 06/01/2004. Performance is presented net of fees. Periods of less than one year represent cumulative returns.

† The benchmark for each target-date fund is a customized benchmark that has the same asset allocation as the Fund's target asset allocation, and uses index returns to represent the performance of the asset classes. The benchmark returns were calculated by weighting the monthly index returns of each asset class by the Fund's monthly target allocation for each asset class. Effective April 30, 2015, the Russell 1000 TR Index is used to represent Large-Cap US Stocks, the Russell 2000 TR Index is used to

MSCI World Net Index	-8.45	-6.04	-5.09	8.58	8.29	4.73	5.87
Category Average	-4.11	-2.99	-1.84	4.27	5.52	3.51	—
Sharpe Ratio	—	—	-0.81	1.10	0.92	—	—
Morningstar Rating	—	—	—	3	3	3	—
Number of Funds in Category	188	180	171	127	112	31	—

represent Small-Cap US Stocks, the MSCI EAFE IMI NR UH is used to represent International Stocks, the MSCI ACWI IMI NR UH is used to represent Global Stocks, the MSCI EM IMI NR UH is used to represent Emerging Markets Stocks, the Bloomberg Commodity TR Index is used to represent Real Assets, the HFRI Equity Hedge Index (1-month lag) is used to represent Growth-Oriented Hedge Funds, the HFRI FoF: Conservative Index (1-month lag) is used to represent Defensive-Oriented Hedge Funds, the 50% Citi WGBI/50% BofAML US HY Master II TR Index is used to represent Opportunistic Bonds, the Barclays US Agg Bond TR Index is used to represent Core Bonds, the Barclays US Treasury 1-10 Year TIPS Index is used to represent TIPS, and the BofAML US 3-Mo Treasury Bill Index is used to represent Stable Value.

Prior to April 30, 2015, the benchmark was adjusted quarterly to reflect the Fund's target asset allocation for each asset class, and the underlying holdings in each asset class.

Quarterly Returns as of 09/30/2015

	1Q	2Q	3Q	4Q	Annual
2011	3.34%	1.03%	-8.21%	4.03%	-0.31%
2012	5.86	-2.02	3.99	1.22	9.18
2013	4.50	0.36	2.77	4.26	12.36
2014	2.38	2.16	-0.90	0.10	3.75
2015	1.03	0.18	-4.39	—	—

Trailing Revenues as of 9/30/2015

	Total Return %	+/- Benchmark	+/- Category
1 Year	-5.28%	0.20%	-1.89%
3-Year Avg.	4.18	0.23	-2.66
5-Year Avg.	5.24	0.89	-2.63
10-Year Avg.	3.07	0.40	-1.33
Since Inception	3.91	0.37	—

General Information

Expense Ratio ‡	1.03%
Portfolio Turnover Rate	26% (as of September 30, 2015)
Total Fund Assets (USD Mil.)	233.77

‡ Expense Ratio includes the Management Fee, variable performance fees, which are payable only to select managers who exceed performance targets, and wrap/insurance fees to ensure principal stability.

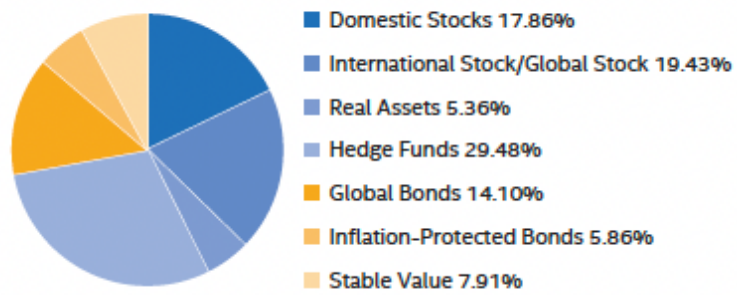
Additional Information

Video

How to read and get more from your fact sheet

[Click here for current performance](#)

Allocation by Asset Class



Portfolio Construction

	Actual % of Portfolio
Domestic Stocks	
Large Cap Pool	15.18%
American Century Value Yield	5.83%
BlackRock Russell 1000 Unitized Account	3.55%
GMO Quality	5.80%
Small Cap Pool	2.68%
BlackRock Russell 2000 Unitized Account	1.86%
Segall Bryant Small Cap	0.82%
International Stock/Global Stock	
International Pool	5.69%
BlackRock EAFE Unitized Account	4.65%
LSV International Small Cap	1.04%
Global Equity Pool	11.38%
Cantillon Global Equity	5.64%
IVA Global Equity	5.74%
Emerging Markets Pool	2.36%
BlackRock Emerging Markets (Hedged)	0.40%
BlackRock MSCI Emerging Markets Fund	0.36%
Lazard Emerging Markets Daily	0.93%
LSV Emerging Markets Fund	0.39%
Somerset Emerging Markets SMID All Country	0.27%

Actual allocations will change over time. Columns may not sum due to rounding.

	Actual % of Portfolio
Real Assets	
Diversified Real Asset Pool	5.36%
BlackRock Dow Jones UBS Commodities Daily	2.58%
Blackstone Resources Select	2.77%
Hedge Funds	
Defensive Oriented Hedge Fund Pool	13.41%
Intel Defensive Oriented Hedge Fund	13.38%
Growth Oriented Hedge Fund Pool	16.07%
Intel Growth Oriented Hedge Fund	16.07%
Global Bonds	
Global Bond Pool	10.14%
BlackRock Debt Index Daily (Global Bond)	0.30%
Colchester Global Bond	2.24%
MacKay Shields Core Fixed Income	4.14%
Segall Bryant Core Fixed Income	3.49%
Opportunistic Bond Pool	3.96%
BlackRock Debt Index Daily (Opportunistic)	0.18%
Franklin Templeton Global Bond	1.85%
Guggenheim Opportunistic Bond Fund	1.93%
Inflation-Protected Bonds	
TIPS Pool	5.86%
SSgA 1-10 Year US TIPS	5.86%
Stable Value	
Stable Value Pool	7.91%
Standish Mellon Asset Management Stable Value Fund	7.91%

Actual allocations will change over time. Columns may not sum due to rounding.

Additional information on the Underlying Funds and Manager Strategies is available under Fund Descriptions

and/or in the respective core fund fact sheets at www.netbenefits.com/intel.

Disclosure

When used as supplemental sales literature, the Investment Profile must be preceded or accompanied by the fund's current prospectus as well as this disclosure statement. The performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares when redeemed may be worth more or less than the original investment. Fund portfolio statistics change over time. The fund is not FDIC-insured, may lose value and is not guaranteed by a bank or other financial institution.

No assurance can be given that the fund will continue to invest its assets, or the same portion of assets, in the underlying funds or manager strategies represented here. The furnishing of information with respect to the underlying funds and manager strategies does not constitute a representation that participant balances in the fund will be invested in the future in the same percentages represented here, or at all, nor does it constitute a representation that the percentage allocations above will remain the same in the future for the purpose of determining the expected performance of the fund.

MORNINGSTAR DISCLOSURE: Some of the returns and Morningstar proprietary calculations may be based on pre-inception returns and are hypothetical. Morningstar may use the performance of the underlying investment vehicle for the prior periods, making adjustments to those returns for any difference in fee structure. The evaluation of this investment does not affect the retail mutual fund data published by Morningstar. This investment's metrics are compared

against the retail mutual fund universe breakpoints to determine its hypothetical rating and category-related statistics. The Morningstar Rating that is reflected is hypothetical. The Rating is considered hypothetical because Morningstar does not independently analyze the “custom fund” universe. Rather, the Rating is assigned to the “custom fund” as a means to compare the institutional funds with the universe of mutual funds that Morningstar rates.

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which it might otherwise have capitalized. **Market Risk:** The value of the Fund's investments will fluctuate as the stock or bond market fluctuates. The value of its investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market. It includes the risk that a particular style of investing may be underperforming the stock market generally. **Interest-Rate Risk:** Changes in interest rates will affect the value of the Fund's investments in underlying funds that invest in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tends to fall and this decrease in value may not be offset by higher income from new investments. Interest-rate risk is generally greater for fixed-income securities with longer maturities or durations. **Credit Risk:** An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default, causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments by underlying funds in fixed-income securities with lower ratings are subject to a higher probability that an issuer will default or fail to meet its payment obligations. **Inflation Risk:** This is the risk that the value of assets or income from the Fund's investments in the underlying funds will be less in the future as inflation decreases the value of money. As inflation increases, the value of each underlying fund's assets can decline as can the value of that underlying fund's distributions. **Foreign (Non-US) Risk:**

Investments in non-US issuers by underlying funds may involve more risk than investments in US issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, and regulatory or other factors. **Emerging Market Risk:** Investments by underlying funds in emerging-market countries may involve more risk than investments in other foreign countries because the markets in emerging-market countries are less developed and less liquid as well as subject to increased economic, political, regulatory and other uncertainties. **Currency Risk:** Fluctuations in currency exchange rates may negatively affect the value of the Fund's investments or reduce its returns. **Capitalization Risk:** Investments in small- and mid-capitalization companies by underlying funds tend to be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies often have limited product lines, markets, or financial resources. **Derivatives Risk:** Derivatives may be illiquid, difficult to price, and leveraged so that small changes may produce disproportionate losses, and may be subject to counterparty risk to a greater degree than more traditional investments. **Leverage Risk:** Borrowing money or other leverage may make an underlying fund's investments more volatile because leverage tends to exaggerate the effect of any increase or decrease in the value of its investments. An underlying fund may create leverage through the use of certain portfolio management techniques such as reverse repurchase agreements or forward commitments, or by borrowing money. **Diversification Risk:** The Fund may have more risk because it is "non-diversified," meaning that it can invest more of its assets in a smaller number of issuers. **Management Risk:** The Fund is subject to management

risk because it is an actively managed investment fund. The investment manager will apply its investment techniques and risk analyses in making investment decisions for the Fund, but there is no guarantee that its techniques will produce the intended results.

As with all investments, you may lose money by investing in the Fund.

PERFORMANCE DISCLOSURE: The performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the return data quoted herein. The investment return will fluctuate; thus, an investor's shares, when redeemed, may be worth more or less than their original cost. Principal invested is not guaranteed at any time.

For more current information, including month-end performance, please call 888-401-SERP (7377) or visit www.netbenefits.com/intel.

LIFE CYCLE RISK: Target-date funds typically invest in other investments and are designed for investors who are planning to retire during the target-date year. The fund's target date is the approximate date of when investors expect to begin withdrawing their money. A target-date fund's investment objective/strategy typically becomes more conservative over time, primarily by reducing its allocation to equity investments and increasing its allocations in fixed-income investments. An investor's principal value in a target-date fund is not guaranteed at any time, including at the fund's target date.

FUND SPECIFIC NOTES:

Target-Date Funds: The funds are managed to gradually become more conservative over time as they

approach their target date. The investment risk of each target-date fund changes over time as its asset allocation changes. Target-date funds are subject to the volatility of the financial markets, including that of equity and fixed-income investments in the US and abroad, and may be subject to risks associated with investing in high-yield, small-cap and foreign securities. Principal invested is not guaranteed at any time, including at or after the target date. Unit price, yield and return will vary.

This fund is administered pursuant to directions from the Intel Corporation Investment Policy Committee (IPC) and AB, which provided the description for this investment option.

Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than US investments. This risk includes the political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation. Unit price, yield and return will vary. The investment option is a custom strategy fund. It is managed by AllianceBernstein L.P. (AB). AB provided the description for this investment, which is intended to be a brief overview of the Fund.

ADDITIONAL INFORMATION

For more information about this fund, visit www.netbenefits.com/intel, or call 888-401-SERP (7377).

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EXHIBIT 11



3Q 09.30.15

Target Date 2035 Fund

Morningstar Category:	Morningstar
Return:	
Target Date 2031-35	Low
Benchmark:	Morningstar Risk:
2035 Composite Benchmark	Low

Overall Morningstar Rating™



Rated against 218 2031-2035 funds. An Investment Overall Morningstar Rating, based on its risk-adjusted return is a weighted average of its applicable 3-, 5-, and 10-year ratings. See disclosure for details. This data is based on historical performance.

Manager Summary

Intel has selected AB to help manage this proprietary custom series of target-date funds. In this role, AB designs, monitors and adjusts the Fund's asset mix. AB also rebalances the Fund's portfolio to keep it on track, and performs other investment-related services. AB and Intel have partnered with Morningstar on the production of these fact sheets, as well as the Fund ratings, categorization and analyst commentary included here.

Objective

The Fund seeks to provide long-term growth of capital (generating both income and capital appreciation) with an age-appropriate degree of risk consistent with the Fund's investment mix.

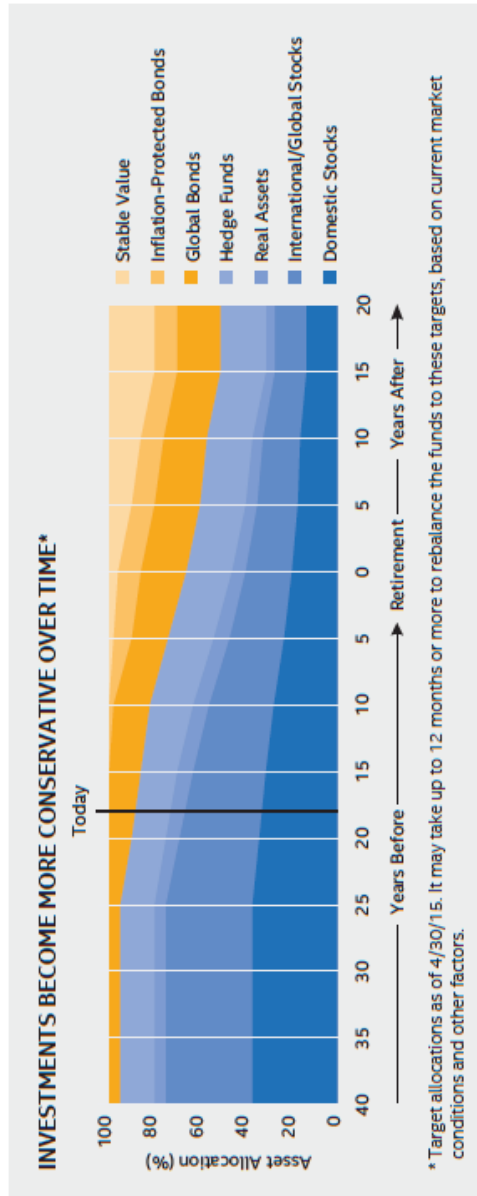
Investment Strategy

- Target-date funds are designed for investors expecting to retire around the year indicated in each fund's name. The Funds are managed to gradually become more conservative over time as they approach their target date. The Fund's "target date" is the approximate year when an investor may expect to retire and begin withdrawing from his or her account.
- When the Fund reaches its target date; its investment mix will be 46% stocks/real assets, 20% hedge funds and 34% bonds/stable value.
- The Fund continues to adjust its asset allocation through retirement and reaches its final investment mix 15 years after the target date.
- The Fund will gradually shift to a more conservative asset mix by incrementally decreasing its stock allocation and increasing its bond allocation, while maintaining a fixed allocation to hedge funds. The Fund's final investment mix will be 31% stocks/real assets, 20% hedge funds and 49% bonds/stable value.

Primary Investments

- A diversified mix of stocks, bonds, alternatives and short-term investments.

- This investment is not a mutual fund or a collective investment. It is a specifically weighted selection



from the investments held in the Intel Corporation Retirement Plans Master Trust.

Investment Products Offered

- Are Not FDIC Insured
- May Lose Value
- Are Not Bank Guaranteed

Investment in a target-date fund does not guarantee sufficient income in retirement.

Morningstar Analyst Report as of 06/30/17

Target Date 2035 Fund delivered competitive results for the trailing 12-months through June 30, 2017, surpassing both the Target Date 2035 Morningstar Category average and its benchmark index. During a period in which global stock prices in the aggregate rose across the market's capitalization range and style spectrum, an above-average allocation to equities contributed significantly to the fund's relative results. An emphasis on growth stocks in the equity portion of the portfolio, which includes a substantial allocation to growth-oriented hedge funds, provided another advantage, as value stocks generally lagged growth over the past year. The fund's above-average stake in foreign markets boosted results as well, particularly in the second half of the measurement period.

As the attributes noted above suggest, this fund and others in the series deviate in significant ways from peer group norms. Composed of a well-diversified, multi-asset portfolio, it has broader exposure to global markets and

invests in hedge funds and opportunistic bond strategies as well. Those departures from category norms helped generate outperformance in the current measurement period but in other market environments those same differences can become disadvantages. Although the fund exceeded its benchmark in the trailing three-year period, for instance, it lagged its typical peer in the same time frame.

No fund or strategy can succeed in every market environment, of course. And investors here shouldn't expect results that shadow the index or category average, either. That's partly by design—hedge funds and opportunistic bond strategies such as the ones this fund holds are meant to provide returns that aren't closely correlated with the movements of either the broad stock or fixed-income markets.

Although patience will be required at times, we believe the fund's expansive approach and broader range of investment vehicles offer the potential for steady risk-adjusted results over the long term.

Performance Summary*

	QTD	YTD	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	Since Inception
Target Date	3.77%	-	-	7.87%	8.00%	3.79%	5.41%
2035 Fund		17.60%	17.60%				

* The Fund's inception date is 06/01/2004. Performance is presented net of fees. Periods of less than one year represent cumulative returns.

2035 Composite Benchmark [†]	4.63	18.40	18.40	8.01	7.79	3.39	5.10
MSCI World Net Index	5.51	22.40	22.40	9.26	11.64	5.03	7.44
Category Average	4.38	18.43	18.43	7.87	9.66	5.40	—
Sharpe Ratio	—	—	9.38	1.20	1.31	—	—

[†] The benchmark for each target-date fund is a customized benchmark that has the same asset allocation as the Fund's target asset allocation, and uses index returns to represent the performance of the asset classes. The benchmark returns were calculated by weighting the monthly index returns of each asset class by the Fund's monthly target allocation for each asset class. Effective April 30, 2015, the Russell 1000 TR Index is used to represent Large-Cap US Stocks, the Russell 2000 TR Index is used to represent Small-Cap US Stocks, the MSCI EAFE IMI NR UH is used to represent International Stocks, the MSCI ACWI IMI NR UH is used to represent Global Stocks, the MSCI EM IMI NR UH is used to represent Emerging Markets Stocks, the Bloomberg Commodity TR Index is used to represent Real Assets, the HFRI Equity Hedge Index (1-month lag) is used to represent Growth-Oriented Hedge Funds, the HFRI FoF: Conservative Index (1-month lag) is used to represent Defensive-Oriented Hedge Funds, the 50% Citi WGBI/50% BofAML US HY Master II TR Index is used to represent Opportunistic Bonds, the Bloomberg Barclays US Agg Bond TR Index is used to represent Core Bonds, the Bloomberg Barclays US Treasury 1-10 Year TIPS Index is used to represent TIPS, and the BofAML US 3-Mo Treasury Bill Index is used to represent Stable Value.

Prior to April 30, 2015, the benchmark was adjusted quarterly to reflect the Fund's target asset allocation for each asset class, and the underlying holdings in each asset class.

Morningstar Rating	—	—	—	3	1	1	—
Number of Funds in Category	218	208	208	166	132	57	—

Quarterly Returns as of 12/31/2017

	1Q	2Q	3Q	4Q	Annual
2013	4.40	-0.61	3.64	4.73	12.64
2014	1.90	3.47	-1.40	-0.01	3.95
2015	1.26	0.33	-6.76	2.91	-2.52
2016	0.50	2.91	4.54	1.27	9.50
2017	5.22	3.39	4.17	3.77	17.60

Trailing Returns as of 12/31/2017

	Total Return %	+/- Benchmark	+/- Category
1 Year	17.60%	-0.80%	-0.83%
3-Year Avg.	7.87	-0.14	0.00
5-Year Avg.	8.00	0.21	-1.66
10-Year Avg.	3.79	0.40	-1.61
Since Inception	5.41	0.31	—

General Information

Expense Ratio[‡]	0.83%
Portfolio Turnover Rate	24% (as of December 31, 2017)
Total Fund Assets (USD Mil.)	1152.31

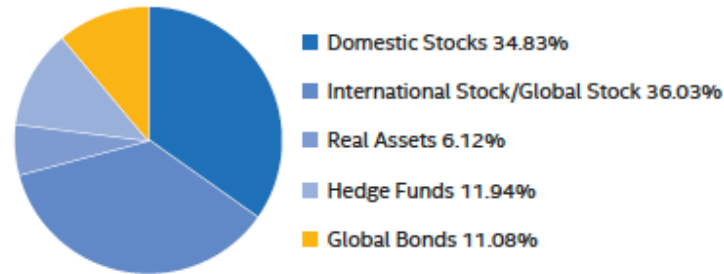
Additional Information

Video

How to read and get more from your fact sheet

[‡] Expense Ratio includes the Management Fee, variable performance fees, which are payable only to select managers who exceed performance targets, and wrap/insurance fees to ensure principal stability.

Allocation by Asset Class



Portfolio Construction

	Actual % of Portfolio
Domestic Stocks	
Large Cap Pool	26.71%
American Century Value Yield	10.04%
BlackRock Russell 1000 Unitized Account	6.68%
GMO Quality	9.99%
Small Cap Pool	8.12%
BlackRock Russell 2000 Unitized Account	5.55%
Boston Partners Small Cap	2.57%
International Stock/Global Stock	
International Pool	11.83%
BlackRock EAFE Unitized Account	9.16%
LSV International Small Cap	2.66%
Global Equity Pool	14.89%
Cantillon Global Equity	9.06%
IVA Global Equity	5.83%
Emerging Markets Pool	9.31%
BlackRock Emerging Markets (Hedged)	1.47%
BlackRock MSCI Emerging Markets Fund	1.55%
Lazard Emerging Markets Daily	3.39%
LSV Emerging Markets Fund	1.79%
Somerset Emerging Markets SMID All Country	1.12%

* Includes residual positions which may not be listed.

	Actual % of Portfolio
Real Assets*	
Diversified Real Asset Pool	6.12%
BlackRock Dow Jones UBS Commodities Daily	3.07%
State Street Global Real Estate Securities Index Non-Lending Series Fund Class A	3.05%
Hedge Funds*	
Defensive Oriented Hedge Fund Pool	2.56%
Intel Defensive Oriented Hedge Fund	2.56%
Growth Oriented Hedge Fund Pool	9.38%
Intel Growth Oriented Hedge Fund	9.38%
Global Bonds	
Global Bond Pool	5.26%
BlackRock Debt Index Daily (Global Bond)	0.23%
Colchester Global Bond	1.10%
Mackay Shields Core Fixed Income	1.96%
Segall Bryant Core Fixed Income	1.97%
Opportunistic Bond Pool	5.82%
BlackRock Debt Index Daily (Opportunistic)	0.26%
Franklin Templeton Global Bond	2.60%
Guggenheim Opportunistic Bond Fund	2.96%

*Includes residual positions which may not be listed.

The portfolio construction table may not sum to pie chart. The pie chart does not include residual positions in some underlying funds.

Additional information on the Underlying Funds and Manager Strategies is available under Fund Descriptions and/or in the respective core fund fact sheets at www.netbenefits.com/intel.

Disclosure

When used as supplemental sales literature, the Investment Profile must be preceded or accompanied by the fund's current prospectus as well as this disclosure statement. The performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares when redeemed may be worth more or less than the original investment. Fund portfolio statistics change over time. The fund is not FDIC-insured, may lose value and is not guaranteed by a bank or other financial institution.

No assurance can be given that the fund will continue to invest its assets, or the same portion of assets, in the underlying funds or manager strategies represented here. The furnishing of information with respect to the underlying funds and manager strategies does not constitute a representation that participant balances in the fund will be invested in the future in the same percentages represented here, or at all, nor does it constitute a representation that the percentage allocations above will remain the same in the future for the purpose of determining the expected performance of the fund.

MORNINGSTAR DISCLOSURE: The Morningstar RatingTM for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top

10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

PERFORMANCE: Total return reflects performance without adjusting for sales charges or the effects of taxation, but is adjusted to reflect all actual ongoing fund expenses and assumes reinvestment of dividends and capital gains. If adjusted, sales charges would reduce the performance quoted.

The fund's performance is compared with that of an index. The index is an unmanaged portfolio of specified securities and the index does not reflect any initial or ongoing expenses. A fund's portfolio may differ significantly from the securities in the index.

INVESTMENT RISK: The value of your investment in the Fund will change with changes in the values of the Fund's investments in the underlying funds. There is no assurance that the Fund will provide an investor with adequate income at or through retirement. **Allocation Risk:** The allocation of investments among the underlying funds' different investment styles, such as equity or debt securities, or US or non-US securities,

may have a more significant effect on the Fund's net asset value ("NAV") when one of these investments is performing more poorly than the other. There is no assurance that allocation decisions will result in the desired effects. Subjective decisions made by the investment manager may cause the Fund to incur losses or to miss profit opportunities on which it might otherwise have capitalized. **Market Risk:** The value of the Fund's investments will fluctuate as the stock or bond market fluctuates. The value of its investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market. It includes the risk that a particular style of investing may be underperforming the stock market generally. **Interest-Rate Risk:** Changes in interest rates will affect the value of the Fund's investments in underlying funds that invest in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tends to fall and this decrease in value may not be offset by higher income from new investments. Interest-rate risk is generally greater for fixed-income securities with longer maturities or durations. **Credit Risk:** An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default, causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security.

Investments by underlying funds in fixed-income securities with lower ratings are subject to a higher probability that an issuer will default or fail to meet its payment obligations. **Inflation Risk:** This is the risk that the value of assets or income from the Fund's investments in the underlying funds will be less in the future as inflation decreases the value of money. As inflation increases, the value of each underlying fund's assets can decline as can the value of that underlying fund's distributions. **Foreign (Non-US) Risk:** Investments in non-US issuers by underlying funds may involve more risk than investments in US issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, and regulatory or other factors. **Emerging Market Risk:** Investments by underlying funds in emerging-market countries may involve more risk than investments in other foreign countries because the markets in emerging-market countries are less developed and less liquid as well as subject to increased economic, political, regulatory and other uncertainties. **Currency Risk:** Fluctuations in currency exchange rates may negatively affect the value of the Fund's investments or reduce its returns.

Capitalization Risk: Investments in small- and mid-capitalization companies by underlying funds tend to be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies often have limited product lines, markets, or financial resources. **Derivatives Risk:** Derivatives may be illiquid, difficult to price, and leveraged so that small changes may produce disproportionate losses, and may be subject to counterparty risk to a greater degree than more traditional investments. **Leverage Risk:** Borrowing

money or other leverage may make an underlying fund's investments more volatile because leverage tends to exaggerate the effect of any increase or decrease in the value of its investments. An underlying fund may create leverage through the use of certain portfolio management techniques such as reverse repurchase agreements or forward commitments, or by borrowing money. **Diversification Risk:** The Fund may have more risk because it is "non-diversified," meaning that it can invest more of its assets in a smaller number of issuers. **Management Risk:** The Fund is subject to management risk because it is an actively managed investment fund. The investment manager will apply its investment techniques and risk analyses in making investment decisions for the Fund, but there is no guarantee that its techniques will produce the intended results.

As with all investments, you may lose money by investing in the Fund.

PERFORMANCE DISCLOSURE: The performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the return data quoted herein. The investment return will fluctuate; thus, an investor's shares, when redeemed, may be worth more or less than their original cost. Principal invested is not guaranteed at any time.

For more current information, including month-end performance, please call 888-401-SERP (7377) or visit www.netbenefits.com/intel.

LIFE CYCLE RISK: Target-date funds typically invest in other investments and are designed for investors who are planning to retire during the target-date year. The fund's target date is the approximate date of when investors expect to begin withdrawing their money. A

target-date fund's investment objective/ strategy typically becomes more conservative over time, primarily by reducing its allocation to equity investments and increasing its allocations in fixed-income investments. An investor's principal value in a target-date fund is not guaranteed at any time, including at the fund's target date.

FUND SPECIFIC NOTES:

Target-Date Funds: The funds are managed to gradually become more conservative over time as they approach their target date. The investment risk of each target-date fund changes over time as its asset allocation changes. Target-date funds are subject to the volatility of the financial markets, including that of equity and fixed-income investments in the US and abroad, and may be subject to risks associated with investing in high-yield, small-cap and foreign securities. Principal invested is not guaranteed at any time, including at or after the target date. Unit price, yield and return will vary.

This Fund is administered pursuant to directions from the Intel Corporation Investment Policy Committee (IPC).

Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than US investments. This risk includes the political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation. Unit price, yield and return will vary. The investment option is a custom strategy fund managed by the IPC. The description for this investment is intended to be a brief overview of the Fund.

ADDITIONAL INFORMATION

For more information about this fund, visit www.netbenefits.com/intel, or call 888-401-SERP (7377).

Information was provided by Intel Corporation. Fidelity Investments is not responsible for its content.

EXHIBIT 12

**PRINCIPLES AND BEST PRACTICES
FOR
HEDGE FUND INVESTORS**

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**REPORT  
OF THE  
INVESTORS' COMMITTEE**

**TO THE PRESIDENT'S WORKING GROUP  
ON FINANCIAL MATTERS**

*April 15, 2008*

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## I. EXECUTIVE SUMMARY

Hedge funds currently manage over two trillion dollars in assets worldwide, and they are an increasingly prominent feature on the investment landscape. The size of the hedge fund market has grown dramatically in recent years, and issues arising from hedge fund investments and management now have broad implications for the entire financial industry. Hedge funds often involve complex, illiquid or opaque investments and investment strategies. These investments, however, receive little regulatory oversight. Thus, hedge funds are suitable only for sophisticated and prudent investors who are able to identify, analyze and bear the associated risks, and follow appropriate practices to evaluate, select, monitor, and exit these investments.

The Investors' Committee of the President's Working Group on Financial Markets consists of representatives from a broad array of investors and investor advocates. The first assignment under its Mission Statement has been to develop "detailed guidelines defining 'best practices' for hedge fund investors,"<sup>1</sup> which are set forth in the report below. The Committee has designed these guidelines "to enhance market discipline, mitigate systemic risk, augment regulatory safeguards regarding investor protection, and complement regulatory efforts to enhance market integrity."<sup>2</sup> This report builds on existing industry work

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<sup>1</sup> President's Working Group on Financial Markets, Investor's Committee Mission Statement, available at <http://www.ustreas.gov/press/releases/reports/InvestorsCommMission09252007.pdf> (last accessed on March 31, 2008).

<sup>2</sup> *Id.*

and on the Principles and Guidelines Regarding Private Pools of Capital, which the President's Working Group on Financial Markets released in February 2007, particularly Principles 4, 5, and 8.

This report addresses the decision to invest in hedge funds and the management and oversight of hedge fund investments. It contains both a Fiduciary's Guide and an Investor's Guide. The Fiduciary's Guide provides recommendations to individuals charged with evaluating the appropriateness of hedge funds as a component of an investment portfolio. The Investor's Guide provides recommendations to those charged with executing and administering a hedge fund program once a fiduciary has decided to add hedge funds to the investment portfolio. This publication corresponds with guidelines promulgated by the Asset Managers' Committee of the President's Working Group on Financial Markets, which identified best practices for the alternative investment industry with respect to the management and administration of hedge funds, including practices regarding disclosure, valuation, and risk management systems.

Hedge funds invest in a wide variety of financial instruments using a variety of investment techniques. They often profit through exposure to risks that are not typical of, or proportional to, those of traditional investment vehicles. These alternative investments have the potential to offset a portfolio's exposure to traditional market risks, or to add to a portfolio's absolute return, but they also may introduce new dimensions of risk and uncertainty. Therefore, before making a hedge fund investment, investment staff should engage in a due diligence evaluation that is appropriate and effective in light of the risk tolerance of the institution or

individual they represent. Once a hedge fund investment is made, staff should continue to monitor the investment to identify any newly introduced risks and to weigh them against the potential impact on overall portfolio risk and the expected effect on portfolio returns.

Many individuals and institutions considering hedge fund allocations will determine that they do not have the resources or the expertise necessary to successfully incorporate hedge funds into their portfolios. This is often the most appropriate decision. No one should feel obligated to invest in hedge funds. Many successful investors never invest in hedge funds, and including hedge funds in a portfolio is not required for effective and responsible portfolio management.

Thousands of institutional and individual investors meet the legal requirements to invest in hedge funds, but it is not always appropriate for them to do so. Prudent evaluation and management of hedge fund investments may require specific knowledge of a range of investment strategies, relevant risks, legal and regulatory constraints, taxation, accounting, valuation, liquidity, and reporting considerations. Fiduciaries must take appropriate steps to determine whether an allocation of assets to hedge funds contributes to an institution's investment objectives, and whether internal staff or agents of the institution have sufficient resources and expertise to effectively manage a hedge fund component of an investment portfolio.

Hedge funds use a broad range of portfolio strategies and are exposed to a similarly broad range of risks. Moreover, because strategies can ebb and flow in terms of popularity within the hedge fund universe, the risks and considerations identified here cannot be considered complete. Further, new (and sometimes severe) market

conditions may over time shed new light on the role hedge funds play in investors' portfolios. The Investors' Committee is committed to reflecting in the final version of these recommendations a timely and thoughtful response to any fundamental changes in market conditions (e.g., a changing role of leverage among major financial intermediaries) or structural changes in hedge funds themselves.

## **II. INTRODUCTION**

The Investors' Committee of the President's Working Group on Financial Markets offers the following principles and practices as a guide for responsible investment in hedge funds. These draw upon insights from the President's Working Group on Financial Markets, relevant professional associations, and a wide range of institutional investors and financial services professionals. This report outlines the primary components of a robust process for the evaluation, engagement, monitoring, and disposition of hedge fund investments.

### **A. Statement of Purpose**

The goal of this document is to define a set of practice standards and guidelines for fiduciaries and investors considering or already investing in hedge funds on behalf of qualified individuals and institutions. For the purposes of this document, the term "fiduciary" refers to those with portfolio oversight responsibilities, such as plan trustees, banks or consultants. The term "investor" narrowly refers to investment professionals charged with implementing a hedge fund program.

Addressing the dissimilar needs of such a broad range of participants is challenging. No single set of best practices applies uniformly to every hedge fund investment, and the burden of applying the practices set forth in this document falls upon the institutions and

individuals who are considering or engaged in making such investments. This is a disparate group with different resources and objectives, and the hedge fund arena provides a wide array of investment strategies from which to choose. Thus, individuals and institutions considering or managing hedge fund allocations must evaluate the best practices described below, determine which apply, and implement the recommendations that are reasonable given the resources available to the investor, its objectives and risk tolerance, and the particular investments under consideration.

The selection and implementation of these best practices must be consistent with the particular obligations and goals of the individual or institution making the investment, and with the particular investment in question. Fiduciaries and investors are in the best position to prioritize these factors, and they must evaluate the specific best practices set forth below in light of their own responsibilities, needs, portfolios, and circumstances.

Likewise, hedge funds do not represent a single asset class, but are a type of investment vehicle that provides exposure to a range of investment strategies. Hedge funds come in different sizes and have different management strategies and styles. They follow different administrative, valuation, and disclosure practices. Therefore, management of a hedge fund portfolio must be appropriate for its particular investments. However, because hedge funds all have in common a low level of regulatory protection for their investors, there are minimum levels of diligence required for all hedge fund investors. Beyond this minimum, hedge funds pursuing higher risk strategies – for example, funds making significant use of leverage, or funds investing in illiquid

assets, will require more extensive investor sophistication and oversight.

The initial responsibility for fiduciaries considering hedge fund investments is to determine what role a hedge fund allocation might play within the overall investment portfolio. This is a critical decision-making process, but this document does not detail the potential uses of hedge funds within a portfolio. It also does not discuss the risks and potential rewards of specific hedge fund investment strategies. Instead, it outlines the basic factors that one should consider when deciding if a hedge fund investment is appropriate, and it provides a framework for conducting investment evaluation and oversight.

It is not the Committee's intention to persuade investors that hedge funds are a necessary part of a successful investment program. Nor are we seeking to dissuade investors from gaining exposure to the returns and risk characteristics that hedge funds offer. Our aim is simply to offer both current and prospective investors a practical guide for ascertaining whether there is a role for hedge funds in their portfolios and for managing hedge fund investment programs effectively. Finally, the best practices described below should be read and understood within the context of this entire report. They are not isolated recommendations, but components of an integrated approach to hedge fund investing.

## **B. Background**

The President's Working Group on Financial Markets ("PWG") was formed by Executive Order 12631 on March 18, 1988 in order to "[enhance] the integrity, efficiency, orderliness, and competitiveness of our Nation's financial

markets and [maintain] investor confidence.”<sup>3</sup> There are four members on the PWG: the Secretary of the Treasury and the chairs of the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission, and the

Commodity Futures Trading Commission. On February 22, 2007, the PWG published a set of Principles and Guidelines Regarding Private Pools of Capital, which includes hedge funds. Later in 2007, the PWG sponsored two private sector committees to build upon the Principles and Guidelines: an Asset Managers’ Committee charged with developing best practices specifically for managers of hedge funds, and an Investors’ Committee charged with developing best practices specifically for those making hedge fund investments. This document is the product of the Investors’ Committee. Most recently, on March 13, 2008, the PWG issues its *Policy Statement on Financial Market Developments*, which underscored that “investors must demand and use better information about investment risk characteristics, when they buy and as they hold”.

The Investors’ Committee comprises senior representatives from major classes of institutional investors including public and private pension funds, foundations, endowments, organized labor, non-US institutions, funds of hedge funds, and the consulting community (see Appendix for a listing of committee members). Each of the members has reached out broadly to other institutional investors as well as to professional associations and financial services professionals to gain an informed perspective on the best practices for hedge fund investments. It is anticipated that the Investors’

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<sup>3</sup> Working Group on Financial Markets, Executive Order 12631 (March 18, 1988).

Committee will meet semiannually and issue clarifications and additions when appropriate.

The Asset Managers' Committee has similarly developed best practices that can promote strong disclosure, valuation, risk management, trading, and compliance practices. The Investors' Committee report and the Asset Managers' Committee report each acknowledge that both the investor and the hedge fund manager are accountable and must implement appropriate practices to maintain strong controls and infrastructure to support their activities. We worked closely with the Asset Managers' Committee and believe that together our reports can result in better educated investors and better managed hedge funds. We are pleased that the Asset Managers' Committee has included in its best practices that hedge fund managers use the Investors' Committee report as a guideline for their interaction with investors. Similarly, investors should use the Asset Managers' report as a guide for their interaction with hedge fund managers and fund of hedge fund managers. We believe the hedge fund community can and should serve as a strong partner for ensuring that investors adopt suitably strong and appropriate practices to support their investments.

### **C. Notes to the Reader**

For the purposes of this document, the term "hedge fund" refers to an investment pool that provides exposure to a set of financial risk factors not typically associated with traditional (equity and fixed income) long-only investments. This may include investments in limited partnerships, limited liability corporations, or other vehicles. These vehicles carry out the investment program under the direction of an investment manager. For

purposes of this report, the term hedge fund may also refer to the manager of the investments of a hedge fund.

Historically, hedge funds have focused on publicly traded securities, commodities, currencies, and their derivatives in such a way as to be “hedged”, in large measure, from material changes in stock and bond markets. Increasingly, however, hedge funds have exposure to a broader investment spectrum, including not only traditional markets but also sectors typically associated with other investment vehicles, such as private equity and real estate. We note that the Investor’s Guide targets sophisticated investors, and the Investors’ Committee assumes that those investors are familiar with general investment terms. We have not attempted to define ordinary investment terms, except where there are several possible meanings or our usage is not common among investment professionals.

### **III. FIDUCIARY’S GUIDE**

Fiduciaries (including plan trustees, banks, consultants, and investment professionals) considering an investment in hedge funds must first determine the suitability and attractiveness of hedge funds for their particular institution and how these investments would promote the client’s needs and objectives.. Most importantly, no fiduciary should feel obligated to implement a hedge fund investment program. Many sophisticated investors produce strong portfolio returns without investing in hedge funds. As with any investment, fiduciaries must exercise proper care in assessing whether a hedge fund program is appropriate and whether they employ or can engage investment professionals with sufficient skill and resources to initiate, monitor, and manage such a program successfully.

To assess the appropriateness of a hedge fund program, prudent fiduciaries should address the following questions:

- **Temperament:** Do we, as an organization, have a suitable temperament for investing in innovative strategies? Without the comfort afforded by long-term practice and empirical evidence, do we have the institutional fortitude to stick with our strategic allocation in the face of short-term volatility?
- **Manager Selection:** Do we have qualified staff that can reasonably detect true investment skill and the non-obvious sources of risk inherent in hedge fund strategies? The answer may depend on the particular investment strategy. Can we allocate sufficient resources to manage and monitor new hedge fund investments and existing investments effectively? If the answer to either question is no, do we have the ability to assess, select and engage appropriate intermediaries to whom we can delegate the evaluation of hedge fund management and its strategies and execution?
- **Portfolio Level Dynamics:** Do we understand the way in which our proposed hedge fund portfolio will generate investment returns? Are our return assumptions reasonable in the context of the market? Do we understand the risks involved in the proposed hedge fund portfolio in the context of our overall portfolio? What part of the total risk comprises systematic risks that are not diversifiable, as opposed to idiosyncratic risks associated with particular investments? In what scenario would the overall

hedge fund portfolio likely under-perform or outperform its expected returns? Do we understand the types and degrees of leverage embedded in the proposed portfolio? Do we understand more generally issues of counterparty credit risk embedded in the proposed portfolio?

- **Liquidity Match:** Is the liquidity of the hedge fund portfolio consistent with our needs as an organization? To what extent could short-term behavior by other investors undermine our advantage as long-term investors?
- **Conflicts of Interest:** Have we identified and addressed actual, potential, or apparent conflicts of interest arising from our hedge fund program? Have we taken appropriate steps to mitigate or eliminate adverse consequences arising from these conflicts of interest?
- **Fees:** Are the fees associated with the hedge fund investments generally reasonable in the context of the market? For given levels of realized return, what percent of the gross return would go to the manager versus the investor?
- **Citizenship:** Do we, as an organization, feel comfortable that the hedge funds in our portfolio are good capital market citizens and are not engaged in objectionable practices? Even among high integrity managers, some strategies might be unpopular and subject to characterization in the press that may negatively impact our reputation; do we accept the headline risk that accompanies unconventional investments?

The requirement that hedge fund investments are only for sophisticated investors cannot be over-emphasized.

Persons responsible for initiating hedge fund investments must appropriately incorporate the unique risk and reward characteristics of these alternative strategies into their overall portfolios. Thus, fiduciaries considering investments in hedge funds should consider the following fundamental observations when assessing the risks of investing in hedge funds:

- Evaluating the risks of hedge fund investing can be difficult given the broad range of complex, illiquid and sometimes opaque investments and investment strategies.
- Fiduciaries should be aware of the difference between risk and uncertainty. Risk is an element of randomness in situations where the ultimate outcome is undetermined but the range of potential outcomes is understood and quantifiable. Uncertainty arises due to incomplete knowledge about the manner in which events occur, a lack of predictability, and the possibility of unprecedented behavior or events. It is not quantifiable. Because of the complex and highly engineered nature of some hedge fund strategies, these investments often present greater uncertainty than other types of investments. The tolerance for such uncertainty will depend upon the size, strategy, and objectives of the portfolio allocating assets to a hedge fund investment.
- The process of selecting and monitoring hedge fund investments requires additional resources and continuous

support from experienced professionals, which may be substantially more expensive than those required to select and monitor traditional investments. Fiduciaries should understand the effort and costs that will be required, and should commit these resources prior to investing in hedge funds.

Fiduciaries must be sufficiently sophisticated in their knowledge and experience to evaluate and bear the risks and uncertainties of hedge fund investing, and they must recognize the role of hedge funds within the context of their broader investment preferences and goals.

Fiduciaries and others who choose to engage consultants or funds of hedge funds to augment their capabilities should not expect these third parties to assess all relevant aspects of their hedge fund program or its strategic role within the overall investment portfolio. Even when engaging such third parties to support a hedge fund investment program, fiduciaries must employ sufficient internal resources to understand and monitor the ongoing capability of these third parties to select and oversee the hedge fund managers and investments, and to confirm that the investments remain appropriate for the institution.

#### **A. HEDGE FUND INVESTMENTS AND ALLOCATIONS**

Hedge funds are investment vehicles that allow investors to gain exposure to a wide range of investment strategies. They do not represent a single asset class but rather a type of investment vehicle. A hedge fund is a pooled investment vehicle that:

- ... generally meets the following criteria: (i)  
it is not marketed to the general public (i.e.,

it is privately-offered), (ii) it is limited to high net worth individuals and institutions, (iii) it is not registered as an investment company under relevant laws (e.g., U.S. Investment Company Act of 1940, as amended), (iv) its assets are managed by a professional investment management firm that shares in the gains of the investment vehicle based on investment performance of the vehicle, and (v) it has periodic but restricted or limited investor redemption rights.<sup>4</sup>

Hedge funds offer investors access to a wide variety of investment strategies and risk exposures not typically available through traditional investment classes and investment vehicles. Historically, hedge funds have focused on long and short investments in equities, fixed income securities, currencies, commodities, and their derivatives. These funds are typically leveraged in that the value of the long positions may exceed, in certain circumstances substantially, the investor's capital in the fund. Moreover, unlike traditional funds, which typically are fully exposed to general movements in underlying stock or bond markets, hedge funds are generally managed using a combination of long and short positions to limit exposure to broad market risk, and are, therefore, considered to be largely uncorrelated with fluctuations in major equity and fixed income markets. As a result, hedge funds have exposures to counterparty risks associated with their hedging transactions and to the specific

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<sup>4</sup> Managed Funds Association (MFA), *Sound Practices for Hedge Fund Managers*, Washington, 2007.

investment risks associated with each individual hedge fund's particular strategy.

Hedge funds are typically distinguished from other private pools of capital (including private equity, venture capital, and real estate) in that private market investments are not typically the central focus of the fund. Hedge funds also typically provide their investors with periodic liquidity (e.g., quarterly) which distinguishes them from other private pools of capital. However, private market investments may be included depending on a manager's strategy. Hedge funds also may impose broad restrictions on the ability to redeem (liquidate) an investment, including lengthy initial lock-up requirements and then infrequent periods when the fund allows redemptions to occur. Finally, because hedge funds may only be lightly regulated in many jurisdictions, persons investing in hedge funds must have a greater understanding of the investment structure and management strategy than would be typical for traditional investment vehicles.

### **1. Certain Characteristics of the Hedge Fund Industry**

The hedge fund industry differs from the traditional asset management industry in several ways. The hedge fund industry itself is relatively young and has been an important source of new investment management ideas. Managers are often early adopters of investment strategies and new securities, and they frequently use investment vehicles and techniques that are unavailable to more constrained investors. It is important to note that hedge funds are lightly regulated vehicles that usually operate with a broad investment mandate and few limits on the investment authority of the funds.

## Defining Features of Hedge Funds<sup>5</sup>

| Hedge funds typically...                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Traditional products typically...                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Invest both long and short</li><li>• Are leveraged</li><li>• Have a high, performance-based fee structure</li><li>• Normally require co-investment by fund manager</li><li>• Are able to use futures and other derivatives</li><li>• Have a broad investment universe</li><li>• Can have large cash allocations</li><li>• Have an absolute return objective</li><li>• Investor access regulated, but the product itself is lightly regulated</li></ul> | <ul style="list-style-type: none"><li>• Invest long only</li><li>• Not leveraged</li><li>• Have a lower, ad valorem fee structure</li><li>• Do not encourage co-investment</li><li>• Are restricted in using derivatives</li><li>• Often have a limited investment universe</li><li>• Are required to stay fully invested</li><li>• Have a relative return objective</li><li>• Are frequently heavily regulated</li></ul> |

### 2. Fees

Unlike most traditional investment products, hedge fund managers typically charge both a management fee based on assets under management and a performance fee based on the success of the fund. For most successful hedge funds, performance fees typically dwarf the management fees over time. Over time, this fee

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<sup>5</sup> Oliver Wyman, *Perspectives on Asset Management – Hedge Funds, growth sector or maturing industry?*, New York, June 2005, p. 5.

structure typically substantially exceeds the fees of a traditionally managed fund. This higher fee structure implies that an extra standard of care should be undertaken by investors in hedge funds to determine if the higher fee is justified by the value added potential of the investments.

While the management fee is typically between 1%-2% annually of the assets managed, the performance fee provides the hedge fund manager with a percentage of the fund's investment returns. The performance fee (or carried interest) is often set at 20% (but more generally in a range between 10%-30%) of the fund's total return, or, less frequently, the excess performance above a specified benchmark (hurdle). Performance is typically calculated on a cumulative basis (with incentive fees calculated against a "high-water mark"). The result is that performance fees are not paid out (or are reduced) until the losses are recouped. However, some hedge funds limit the number of years of loss carry-forward for the purposes of calculating performance fees.

### **3. Considerations Prior to Investing in Hedge Funds**

Before embarking on an examination of the recommended steps to undertake when selecting hedge fund investments, fiduciaries should question the commonly presupposed notion that hedge funds are inherently desirable investments. With their large investment universe and range of strategies, hedge funds certainly have the potential for attractive active returns, but they have distinct risks as well.

A central principle to consider is that hedge funds are not an asset class in the conventional sense.

Therefore, one should only pursue a hedge fund investment if:

- the fiduciary believes that the hedge fund manager is particularly skilled in active investing, and that the investment offers investment strategies to which exposure is most effectively (or perhaps only) gained through a hedge fund;
- the benefit of this skill and non-traditional strategy exposure remains after fees, expenses and due diligence costs;
- the fiduciary, with the assistance of staff and consultants, can differentiate between skill-based managers from those generating profits from generic market exposure; and
- the fiduciary will have the opportunity to invest in hedge funds that they have identified as suitable investments.

#### **4. New Hedge Fund Programs and Managers**

Hedge fund managers can vary significantly in their levels of sophistication. This is particularly true for managers who are just beginning operations. For example, new hedge fund managers may be able to capture appealing investment opportunities by applying a special expertise, geographic insight, or knowledge of certain securities or commodities, that is not typical among other managers. While a newly formed hedge fund may be smaller and thus more nimble than a larger fund, they are generally less sophisticated in their operations and risk management practices. These characteristics increase the degree of risk for fiduciaries that oversee emerging hedge fund programs, as they may have less experience in monitoring and understanding a new hedge

fund's operational and market risks. Thus, fiduciaries initiating new hedge fund investment programs may face a significant challenge when assessing the peculiar risks of new hedge fund managers.

### **5. Roles in the Portfolio**

Hedge funds can potentially play a variety of roles in a portfolio. Although it is beyond the scope of this document to provide details on these potential roles, common roles can include the following:

- A program with risks and rewards which *complements* traditional stock and bond investments;
- A program that *integrates* with a traditional asset class as part of a value-added strategy; and
- A program that *substitutes* for an allocation to traditional investments.

### **6. Allocation and Diversification**

Before initiating a hedge fund investment program, fiduciaries in general (and investment professionals in particular) must determine the percentage of their total portfolio to allocate to hedge funds and the optimal amount of diversification among hedge fund strategies and managers. Due to the multiple roles that hedge funds may play in an overall portfolio, there is no standard allocation and diversification rule. The fiduciary should consider the same factors used to determine allocations to other investments, including:

- The role, if any, of hedge funds within the portfolio;
- The expected return and risk profiles of the proposed hedge fund investments, including risks not readily measured, such as liquidity risk, business risk, and the potential outcomes of the investment strategy under various conditions; and

- How the hedge fund allocation benefits the overall portfolio in terms of projected returns and volatility.

Typically, diversification of investments within a specific asset class enhances the return profile of a portfolio by reducing idiosyncratic (non-market) risk while maintaining systematic (market) exposure to a particular asset class. Hedge funds, however, allow exposure to a variety of asset classes, and very specific risks not always found in traditional stock and bond investments. Therefore, when making allocation decisions, the fiduciary must consider the amount of an overall portfolio to invest in hedge funds, as well as the diversification among various hedge fund alternatives. Diversification of hedge fund positions serves several purposes, including potential reductions in the exposure to idiosyncratic investment strategy risk, market risks, and manager business risk.

The following guidelines broadly apply to hedge fund allocation decisions:

- The greater the allocation to hedge funds, the more important it is to consider diversification across investments and managers. It may be useful to set limits on the exposure to a single fund, manager, or strategy to an absolute percentage of a portfolio's assets.
- Because hedge funds generally have minimum investment amounts, some investors may be unable to invest across as many managers or strategies as would be optimal. A smaller group of managers, however, will result in a greater risk concentration in the portfolio, while not reducing the necessary amount of due diligence and oversight. Thus, fiduciaries of organizations that

lack sufficient resources or the desire to conduct appropriate due diligence and monitoring over a diverse hedge fund portfolio should consider investing in funds of hedge funds. In doing so fiduciaries will have to consider whether the additional fees associated with funds of funds make the overall allocation worthwhile.

- For investments in hedge funds as a stand-alone allocation, diversification across investment strategies may be as important as diversification among managers. Depending on the defined role for hedge fund strategies in the portfolio, a diversified program in a limited number of strategies, or even a single strategy, may be appropriate.

#### **B. HEDGE FUND INVESTMENT POLICY**

Fiduciaries considering hedge fund investments should develop explicit policies that define the key features and objectives of the hedge fund investment program. At a minimum, these policies should address the following:

- What is the strategic purpose of investing in hedge funds? What role will hedge funds play in the total investment portfolio?
- Is the hedge fund program consistent with the applicable investment beliefs, objectives, and risk profile of the investment program?
- What are the performance and risk objectives of the hedge fund investment program?
- Who will manage the hedge fund investment program and what responsibilities will they have?
- What investment guidelines will apply to the range of funds and strategies that can be utilized,

the number of funds to be targeted, and the risk and return targets for those funds?

### **C. THE DUE DILIGENCE PROCESS**

The due diligence process is the set of procedures used to gather information about a particular investment for the purpose of deciding whether the investment opportunity is appropriate. The same information collected in this process is also necessary for the ongoing monitoring of an investment.

Generally, best practice objectives for due diligence are applicable across all investment activities and categories. However, particular care should be exercised in due diligence of hedge funds, because of the complex investment strategies they employ; the fact that hedge fund organizations are frequently young and small; their use of leverage and the associated risks; the possibilities of concentrated exposure to market and counterparty risks, and the generally more lightly regulated nature of these organizations. In order to understand how a hedge fund may perform in a variety of future scenarios, fiduciaries should review the history of the investment management firm and its professionals, the firm's past and current portfolios, its investment philosophy, its decision processes for implementing the investment strategy, its organizational culture, and its internal economic incentives. The due diligence process should also include an evaluation of the business infrastructure, investment operations, and controls in place to support the hedge fund's investment strategy.

The Investor's Guide includes detailed sections devoted to due diligence best practices. Fiduciaries should be familiar with these activities, and investment professionals should follow a systematic due diligence and

monitoring process and provide the fiduciary with reports on their activities on a regular basis.

### **1. Legal, Tax and Accounting Considerations**

Fiduciaries should recognize that a broad spectrum of legal, tax, and accounting considerations impact the decision to invest in hedge funds. For example, the suitability of a given hedge fund investment for a specific individual or institution may be affected by factors such as:

- The legal structure of the investment vehicle;
- The domicile of the investment vehicle;
- The laws and regulations of the domicile of the vehicle and of the countries where its investments are made;
- Whether or not the fund manager has chosen to register with the Securities and Exchange Commission or the Commodity Futures Trading Commission;
- The characteristics of the other investors in the fund; and
- The hedge fund's overall investment strategy.

Furthermore, ERISA fiduciaries must be familiar with the legal implications of hedge funds' lightly regulated status and be prepared to seek advice from competent attorneys when questions arise. These considerations include, but are not limited to:

- Whether the hedge fund investment is consistent with the plan's investment policies;
- Whether the hedge fund manager is an ERISA fiduciary and, if not, what the

implications are for the institution's fiduciary of allocating assets to investment managers that are not governed by ERISA;

- If the hedge fund manager is an ERISA fiduciary, the plan fiduciary must confirm, with respect to the hedge fund manager, that:
  - it is registered as an investment adviser under the Investment Advisers Act of 1940 or under comparable state law;
  - it has acknowledged in writing that it is a fiduciary of the plan;
  - any performance-based compensation that it receives is permitted under ERISA;
  - it meets the Department of Labor's definition of a "qualified professional asset manager" ("QPAM"), which would permit the hedge fund manager to engage in transactions that are common among hedge fund managers but would otherwise be prohibited under ERISA; and
- it has policies and procedures in place to ensure compliance with restrictions on "soft dollars", to prevent prohibited transactions and mitigate conflicts of interest.
  - Whether the plan fiduciary will be able to fulfill ERISA custody and reporting

requirements.<sup>6</sup>

These factors and their possible effects on returns require careful consideration prior to investing in a hedge fund. Much of this information should be contained in a hedge fund's offering documents, but, if warranted by the circumstances, fiduciaries and investment staff should confirm the relevance and status of these factors through further investigation and inquiry.

## **2. Ongoing Monitoring**

Monitoring a manager and a hedge fund investment is a continuation of the initial due diligence process. While the initial due diligence serves to qualify a hedge fund as a desirable investment, the ongoing monitoring process continually reaffirms that the assumptions used in the initial selection remain valid. Key aspects of the monitoring process should include reviewing the investment strategy and investment performance for consistency, maintaining awareness of factors that could indicate potential style drift, and confirming that there has been no material change to the business operations of the fund manager. Fiduciaries and investment staff should take reasonable steps to identify any events or circumstances that may result in the hedge fund failing to meet the standards and expectations that were originally required to include the hedge fund in an investment portfolio. While a fiduciary can hire qualified investment professionals to fulfill the technical aspects of the

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<sup>6</sup> For example, under ERISA, "Except as authorized by the Secretary by regulation, no fiduciary may maintain the indicia of ownership of any assets of a plan outside the jurisdiction of the district courts of the United States." *See* 29 USC § 1104(b).

monitoring process, the fiduciary must possess sufficient expertise to monitor these professionals.

#### **D. CONCLUSION**

Hedge funds may offer opportunities for fiduciaries and investors to improve the likelihood of achieving their investment objectives. Prior to embarking on a hedge fund program, however, fiduciaries should be satisfied that incorporating a hedge fund investment program into a portfolio would improve its risk and reward profile, and increase the probability of meeting the applicable investment objectives. The prudent fiduciary should also be able to assess whether its investment staff and agents have the requisite expertise and resources to conduct sufficient due diligence and monitoring, that is required to evaluate, retain, monitor, and terminate hedge fund managers as part of an overall hedge fund investment program.

#### **IV. INVESTOR'S GUIDE**

This Investor's Guide describes best practices and guidelines for investment professionals charged with administering hedge fund investment programs. We use the term "investor" narrowly in this section to refer to the internal and external personnel who are responsible for actually implementing and executing these programs. Some portions of the Investor's Guide elaborate on portions of the Fiduciary's Guide in order to reflect the separate roles and responsibilities of investors, as distinct from those of fiduciaries.

The Investors' Committee seeks to present a comprehensive list of the best practices and principles applicable to hedge fund investors in a wide array of circumstances. Hedge fund investors vary greatly and hedge funds play different roles in different portfolios, so it is not possible to formulate a single process that is

optimal for every investor's needs. Thus, each best practice may not be applicable to every investment opportunity, and some of the best practices described in this report may be applicable but not possible to achieve.

Investors should decide which best practices are appropriate for their hedge fund investment program and for the individual funds under consideration. They should aspire to implement each applicable best practice fully—understanding that full implementation may not always be possible or practicable. Areas where best practices cannot be implemented call for special scrutiny. Typically, the inability to achieve a best practice would suggest an increased risk associated with the investment. In that case, any investment decision should reflect the appropriate consideration of this risk.

Sophisticated investors will understand the best practices that apply to a specific hedge fund investment program or underlying investment. They will determine the relative importance of the applicable practices, develop an investment policy around these practices, and allocate sufficient resources toward developing a systematic and thoughtful approach to selecting and monitoring the portfolio's hedge fund investments.

Once a fiduciary determines that it has the expertise, resources, and risk appetite to invest in hedge funds and adopts a hedge fund investment policy and strategy appropriate to the overall portfolio, the investor will face numerous challenges related to the selection of appropriate hedge fund investments and the ongoing monitoring of the hedge fund portfolio.

Over the past few years, major groups such as the Managed Funds Association (MFA), the Greenwich Roundtable, the Alternative Investment Management Association (AIMA), and the CFA Institute have

published extensive documents related to “best practices” for both investors in and managers of hedge funds (see Appendix). These may be useful resources for investors interested in learning about the best practices that hedge fund industry professionals have recommended to their colleagues, and other efforts by investor-oriented groups to provide guidance to investors in hedge funds. The recommendations that follow focus on how investors can apply appropriate due diligence standards to verify that hedge fund managers are following best practices and identify independent controls and processes to further safeguard their assets. Where appropriate, we have specified certain procedures or approaches that we believe would add significant transparency and increase investors’ ability to understand and evaluate funds’ risks and returns. We have broadly divided these recommendations into seven categories: the due diligence process; risk management; legal and regulatory considerations; valuation; fees and expenses; reporting; and taxation.

#### **A. THE DUE DILIGENCE PROCESS**

Hedge funds are complex investment vehicles that often lack the transparency associated with more conventional investments or investment vehicles. Unlike a publicly traded stock, there is no easily accessible information on a hedge fund’s means of producing returns. Unlike mutual funds, hedge funds need not disclose their holdings, and, in the case of some hedge fund strategies, such disclosure would not reveal the types and magnitudes of risks a hedge fund undertakes. Therefore, the unique and complex nature of hedge funds requires a level of due diligence above and beyond what is required for more transparent investments that are strictly regulated.

Due diligence is the process of gathering and evaluating information about a hedge fund manager prior to investing in order to assess whether a specific hedge fund is an appropriate choice for the portfolio. Prior to investing, investors often gather information about managers through due diligence questionnaires, meetings with managers, and interviews with a fund's current investors and business counterparties. Investors should check references, research the hedge fund's key service providers, verify factual information using independent sources, and follow-up with the fund's personnel if the investors have trouble locating data or discover information that poses concerns. Investors should also evaluate the reputation, credit rating, regulatory history, and background of the individuals and entities who will be involved in the management and administration of the hedge fund's investments.

After investing in a hedge fund, the due diligence process continues. Ongoing monitoring of all the hedge funds in a portfolio, and the management of those funds, is an important component in the long-term success of any hedge fund investment program. Similarly, once an applicable lock-up period expires, the decision whether to redeem should be deliberate and scrutinized regularly for as long as the investment remains outstanding.

Proper due diligence needs to be tailored to the circumstances and objectives of each investor and to the particular circumstances of each hedge fund investment. No universal handbook can serve adequately as a guide for due diligence in every circumstance. Instead, a well-tailored due diligence questionnaire ("DDQ") may serve as a useful tool to aid investors in understanding a hedge fund's opportunities and risks and provide structure to the overall due diligence and monitoring process. A DDQ

which should ask probing questions into the material aspects of a hedge fund's business and operations may include, but is not limited to, the following:

- **Process:** What is the manager's investment process? In what markets does the manager invest? How does the manager have a comparative advantage or "edge" over other managers (or passive investment alternatives)? What instruments does the manager use to carry out investment themes? Under what environments should a fund's strategy perform particularly well or poorly? What risks is the manager comfortable taking? Why are those risks acceptable?
- **Performance:** How has the fund performed historically? If the fund has had particularly strong or poor periods, is there a reasonable explanation for the unexpected returns? How has the manager performed in running other funds? Have previous efforts to manage a fund failed or succeeded, and if so, why? How has leverage contributed to past fund performance? Will leverage in the future be similar to or different from what the manager has previously employed? If the hedge fund is a new organization and there is no performance record, what is the manager's prior experience, and how has that experience prepared the manager to run a successful hedge fund?
- **Personnel:** Who will be managing the fund on a day-to-day basis? Who assists the fund's managers in reaching investment decisions? Who is responsible for back-office functions such as accounting or cash and trade reconciliations? How long have the fund's personnel worked together,

and how much experience do they have individually? Do the fund's personnel have or do they intend to have a significant portion of their own assets invested in the fund? Are the fund's key personnel willing to provide references to substantiate their character and skills?

- **Risk Management:** How does the manager assess and manage risks? Risk management extends beyond market risks to liquidity, counterparty, operational, and other risks (discussed below), and these could adversely affect investment returns as well as the fund management firm's overall business. What contingency and business continuity plans are in place in the event of a disaster or other significant business interruption?
- **Third Parties:** What third-party service providers, such as administrators, prime brokers, auditors, legal counsel, and other vendors, does the fund employ? Who are the fund's material trading counterparties? Investors should assess the adequacy of the manager's approach to selecting third parties to determine that they are known, reputable, financially stable and experienced in the hedge fund industry. Are there structural or contractual relationships between third parties and the fund that may give rise to conflicts (for example, when an executive of a third party serves as a member of the fund's board, or when a fund's management firm and administrator have the same corporate parent)?
- **Structure:** Is the hedge fund a partnership, corporation, or other entity? Is the entity structured to limit investor or manager liability?

Is the fund operated by a large management firm, or is it managed by a small team in a “boutique” firm format?

- **Domicile:** Is the fund domiciled onshore or offshore? Are the fund managers familiar with the legal, regulatory, and tax regimes of the jurisdiction where the hedge fund is domiciled? For offshore funds, are the fund managers prepared to fulfill all obligations (e.g., regulatory filings or taxes) that may arise in that jurisdiction? Are assets within the purview of an appropriate judicial system? If an investor needed to pursue legal claims against the fund or its managers, what law would apply, and what jurisdiction would provide the appropriate venue for such claims?
- **Legal Matters and Terms:** What are the fund’s fees and other material terms, such as liquidity, limitations on investments, and leverage? Are “side pocket” investments allowed, in which certain illiquid investments are placed in segregated pools? If side pockets are allowed, is participation by investors voluntary or required by all investors? What regulatory regimes is the fund subject to, and with which regulators is the fund (or manager) registered? How might changes in regulation affect the performance of a fund’s strategy? How do taxes impact the fund’s net returns and does the investment strategy, structure, domicile of the fund, or the places where it invests have additional tax implications?
- **Compliance:** How are risk-management and regulatory compliance policies managed and documented to ensure compliance by the fund and

its management with applicable regulations and fund documents? How does the fund's management respond to a breach of compliance or risk-management policies? Is there a chief compliance officer or other individual ultimately responsible for regulatory and risk-management compliance? What is his or her prior experience and regulatory history?

A well-crafted DDQ can provide investors with a systematic approach for assessing the appropriateness of specific hedge funds in their investment portfolios. Yet, no matter how well-crafted, a DDQ is never sufficient on its own to enable a hedge fund investor to make a fully informed investment decision. Investors must also pursue appropriate lines of further inquiry. Moreover, while various industry associations and leading consultants have developed DDQ templates, investors should not use these without modification. DDQs should be adapted to the specific needs and objectives of the investor, and to the particular hedge funds and managers under consideration.

### **1. Personnel**

Investors should only invest in hedge funds managed by firms that cultivate an appropriate "tone at the top" with respect to ethics and risk-management policies and that promote a culture of fair dealing toward investors and among management, employees, and service providers. A manager's reputation likely provides insight into the firm's culture. A number of factors can adversely influence a firm's reputation including poor performance, financial loss, litigation or regulatory difficulties, weak governance and conflicts of interest.

The background and experience of the key investment, operations, finance, and business management personnel

is of paramount importance when selecting a hedge fund. Hedge funds require management with specialized experience in the applicable investment strategies, operations, accounting methodologies, and financial controls. Preferred managers have a strong reputation in the industry, extensive experience trading and investing in a variety of market environments, and are able to demonstrate an in-depth understanding of the specific complexities of the investment strategies and investments they employ.

**Best Practice**

- Investors should conduct thorough due diligence in the marketplace on the reputation, experience, and background of hedge fund managers and the key principals in the firm. Investors should employ as broad a range of resources as practicable, including industry contacts, references, professional background searches, regulatory registrations, disciplinary history, and other research tools. This due diligence will support investors' efforts to place capital with reputable, experienced managers and mitigate the risk of investing with managers with poor reputations or a lack of experience.

Some hedge funds rely significantly on the skills of one or more individuals. The risk of losing such valuable team members is referred to as "key man" or "key person" risk. Such individuals contribute substantially to the success of the enterprise, and fund performance may be highly dependent on these key investment personnel. In recognition of this risk, some hedge funds include a redemption feature that mitigates key person risk by

allowing investors to redeem their interests if specific individuals cease to be involved in managing the fund.

**Best Practice**

- Investors should consider the investment risk associated with the loss of a key person or persons. If this risk is material, investors should assess whether a fund's redemption provisions adequately mitigate this risk.

**2. Business Management**

The strength of a hedge fund manager's business model, including ownership, governance, management and clients, is important to judge the manager's ability to focus on investing fund assets without instability and other distractions.

**Best Practice**

- Investors should obtain information from hedge fund managers on their governance and compensation structures, nature and breadth of ownership of the manager, degree of client concentration, and stability of client base. Investors should assess the stability of the manager's overall business.

**3. Investment Performance Track Record**

Hedge funds are subject to uncertainty in the distribution of their returns. For example, a fund's track record may exhibit low risk that masks a negative skew or risk asymmetry that is unobservable from the historical return series. Alternatively, a fund with a short track record may experience a random event, causing its distribution to be skewed and unrepresentative of expected distributions over a longer period of time. There may also be discontinuity in the distribution of returns due

to changes in the market environment or investment strategy, causing past returns to be an especially poor indicator of future performance.

#### **Best Practices**

- Investors should understand the manager's historical performance and the factors contributing to that performance.
- Investors should assess the manager's ability to operate a fund successfully in varying market environments.

#### **4. Style Integrity**

Style integrity refers to a hedge fund's ability to maintain the investment style or styles upon which the investor originally evaluated and selected it as part of a hedge fund portfolio. Style drift may include changes in the types of hedge fund strategies employed or in the characteristics of the fund and its investments including the types of instruments employed, the geographic location of investments, and the fund's targeted correlation with market factors. Style drift away from investment strategies in which the manager has proven expertise can diminish return prospects and introduce new risks. Style drift potentially puts a hedge fund manager at a competitive disadvantage in a new, unfamiliar strategy and it may also cause unintended exposures in an investor's portfolio. Given that a hallmark of hedge funds is their ability to adapt to market conditions, fund managers often seek broad discretion to alter their investment approach – this must be evaluated in terms of the manager's core competencies.

Investors can use risk analyses to confirm that managers are staying true to the strategies for which they

were selected. Investors seeking to analyze style drift typically evaluate current exposures or holdings, or they may employ returns-based risk metrics. Regular discussions with fund managers can also help investors to detect deviations from the manager's investment style.

#### **Best Practices**

- Investors should employ regular and frequent risk monitoring and actively analyze a hedge fund's risk exposures as a means of evaluating potential style drift.
- Investors should obtain appropriate risk reports, with sufficient frequency, to monitor potential style drift and to confirm that the hedge fund continues to meet the investor's objectives.

#### **5. Model Use**

Some hedge funds employ quantitative models extensively and in a variety of ways. Fund management may use models to predict potential investment performance, to make investment decisions, or to manage risks. Some firms use models to determine a quantitative strategy that directs the fund's investment process. Other firms use models solely as decision support tools.

Models can be imprecise. They can fail to capture the dynamic nature of management's decisions. Models can rely upon false or incomplete assumptions or incorrect data, and their application can be inappropriate. Moreover, fund managers can materially alter models, causing unintended exposures in an investor's portfolio.

Robust models should reflect the relevant factors for the investment strategy over a wide range of potential market conditions and use the best available data. A

model's assumptions should be consistent with the relevant market risk and incorporate a reasonably comprehensive set of probabilistic scenarios.

#### **Best Practices**

- The scope of risk from model use will depend on the nature of the strategy, complexity of the mandate, and types of models used.
- Investors should assess the hedge fund manager's reliance on models, including assumptions, model inputs, and risks associated with the models the manager employs.
- Investors should assess the expected frequency of material and substantive model changes, and whether the manager intends to notify investors when such changes are made.

### **B. RISK MANAGEMENT**

Effective risk management practices help investors protect their assets, manage their expectations in selecting hedge funds, mitigate exposure to unanticipated risks, and support informed, disciplined investment decisions.

This overview proposes best practices for establishing the investor's own risk management framework and best practices for evaluating the risk management framework employed by a hedge fund manager. It also discusses various categories of risk that a hedge fund investment program should address, including investment risk, liquidity and leverage, market risk, operational risk, business continuity, and conflicts of interest. The sections describing these

different categories offer related best practices to monitor and manage these risks.

### **1. Investors' Risk Management Programs**

An investor's risk management practice should incorporate controls to protect the integrity of the information used in their hedge fund evaluation and monitoring processes.

#### **Best Practices**

- Investors should develop risk management programs appropriate to their size, complexity, and portfolio structure, including appropriate quantitative and qualitative criteria for the reasonable measurement, monitoring, and oversight of risk.
- Investors should establish formal written policies and supervisory procedures designed to meet the risk management objectives of a hedge fund investment program. These policies and procedures should be reviewed and updated no less frequently than annually, and within a reasonable time after any material change in investment objective, strategy, market conditions, or applicable regulations.
- Investors' risk management programs should be independent of the manager selection process and the process for monitoring investment performance. Internal or independent controls should verify the effectiveness of risk management programs in a manner that minimizes conflicts of interest.
- Investors who are not satisfied that they have adequate knowledge, systems, and resources to implement and administer risk management programs should engage outside consultants with appropriate expertise to do so for them.

## **2. Hedge Fund Risk Management Programs**

An investor should expect a hedge fund manager to employ a risk management framework with the following key features:

- An oversight function that defines the processes by which risk management personnel measure and monitor the types of risk that are relevant to the hedge fund's investment style and operations and make timely adjustments to risk exposures when necessary.
- Policies that address the determination and adjustment of risk parameters, the methodology and frequency for periodic testing and verification of effectiveness, including stress testing, along with reporting and communication procedures, and specific protocols to address situations when risk parameters are breached.
- Risk management models that should be based on historical data that is robust enough to capture the real range of possible stresses on the fund's portfolio.
- Risk management personnel should conduct regular testing of risk measurement systems to assess whether they capture all material risk exposures, and whether the results they generate are in line with appropriate assumptions and expectations.
- Risk managers should have the expertise to understand the hedge fund's trading strategies and related risks. The senior risk management executive should report directly to senior management.

- Risk management personnel should have responsibility for reviewing risk data, metrics, performance, current risk position, sources of risk, and exposures to relevant markets.
- Personnel responsible for a hedge fund's investment portfolio should identify, analyze and address portfolio risks on an ongoing basis.

In a large hedge fund, a separate group, independent of the investment process, should oversee portfolio risk management. The independence of this risk management function reduces conflicts of interest and allows for effective monitoring for compliance with applicable risk parameters. Compensation of risk management personnel should not depend materially upon the performance of a particular investment strategy. Where independent risk management is not practically feasible, as, may be the case for a smaller hedge fund manager, the investor should undertake due diligence to be satisfied that the hedge fund has adequate risk management policies, procedures and staff in light of the level of investment risk the hedge fund is taking.

### **Best Practices**

- Investors should understand the hedge fund manager's risk management philosophy and processes, and be familiar with the relevant markets and trading strategies employed.
- Investors should determine that the manager has an independent risk management function whose compensation is not directly tied to portfolio performance and that reports directly to senior management of the fund. In the absence of such a structure, investors should determine that the risk management structure that is in place provides meaningful risk management to the fund. Investors should determine the manager's risk management function is adequately resourced and staffed by qualified personnel in all cases.
- Investors should review and understand the manager's risk management policies and procedures, both formal and informal, to determine if they effectively address market risks, including the risk of extreme events.
- Investors should obtain information from the manager about internal risk measurement practices and understand which are most critical, what metrics are reported to investors, and the frequency with which the calculation and reporting of risk occurs.
- Prior to making an investment decision, investors should review samples of the reporting provided by managers and determine if the reports adequately address the disclosure needs and risk parameters of the investor.

### **3. Investment Risks**

Investment risks fall into two broad categories: systematic risks, which are market-related, and idiosyncratic risks, which are not. Pure market risk is the exposure of an investment to movements in particular markets, which generally include the equity markets, interest rate markets, commodities markets, and currency markets. Other market-related risk factors include credit, volatility, and liquidity risks. Non-market-related investment risks include portfolio specific risk factors such as correlation risk, basis risk, and counterparty risks. These risk factors are further described below.

Hedge fund investments usually involve some form of investment risk. Typically, hedge fund managers aim to take long positions where risk is overvalued (the actual risk is less than the risk priced in the markets) and short positions where risk is undervalued (the risk is underestimated by the markets). The greater an investment's exposure to a risk factor, the more the value of the investment is likely to fluctuate with changes in the level of that risk. Risks can be embedded in investment strategies - for example a long position in a particular stock can have embedded interest rate risk and commodities risk, as well as idiosyncratic risks related to the specific company's management and business activities.

Investors should assess a hedge fund's key investment risks in light of the fund's investment objectives and strategies. Investors should also be comfortable that the manager adequately monitors investment risks and maintains the portfolio within prescribed risk parameters. As discussed above, hedge fund managers should mitigate potential conflicts by

segregating the risk management function from portfolio management in terms of supervision, responsibility, reporting, and compensation.

Investors must evaluate each component of risk in a hedge fund investment and determine their willingness to accept the related risks. There is extensive literature on this subject that is beyond the scope of this report, but the significant risk categories are summarized below. Investors should be sufficiently familiar with these forms of risk to recognize their impact upon a particular hedge fund and its trading strategies.

### **Market and Market-related Risks**

- **Equity risk** is the risk that a portfolio will change in value due to fluctuations in equity prices. Hedge fund managers can manage equity risk through hedging strategies that utilize equity derivatives such as options and futures contracts, or by employing market-neutral investment strategies that generally do not correlate with broad market movements and, thus, carry limited broad market risk.
- **Interest rate risk** is the risk to portfolio value due to changes in interest rates. Interest rate risk can be hedged with a variety of techniques and financial instruments, including futures contracts and swap agreements. It is quite possible that the hedging of interest rate risk of certain investments, with instruments that have different proportions of risk exposures, can result in exposure to forms of basis risk.
- **Currency risk** is the risk of changes in the relative value of a foreign currency in which investments are denominated. This risk directly affects the value of such investments. Currency risk can be

offset using forward or futures contracts as hedges against foreign exchange rate fluctuations.

- **Credit risk** is the risk of default of an underlying borrower. Depending on the nature of the borrower, there can be **consumer credit risk** or **corporate credit risk**. Consumer credit risk is particularly relevant to the origination market where, for example, investors holding structured pools of mortgages have credit exposure to the underlying borrowers. Corporate credit exposure arises, for example when an investor owns fixed-income securities issued by a corporation. The expected cash flows from these securities are dependent on the financial condition of the issuer. Additionally, relying solely on third-party credit rating providers can expose a portfolio to rating agency risk.
- **Commodity risk** refers to the risk of rising or falling commodity prices that may result from supply and demand imbalances, changing spending patterns, or changing input costs. Commodity risk can be contained through futures and forward commodity contracts.
- **Volatility risk** arises from increased market price fluctuations. Managing volatility risk in normal environments can be accomplished through portfolio diversification by market sector and strategy. Volatility risk emerges on a different level under extreme market conditions in which correlations between asset classes and strategies tend to change and often converge. Managers may hedge volatility risk through financial derivatives.

- **Correlation risk** is the risk of changes in the way prices of different investments in a portfolio relate to each other. Increasing correlations can attenuate the expected benefits of diversification.
- **Liquidity risk**, in its “market” form, is the risk of being unable to unwind investment positions at previously prevailing market prices. In a sudden market downturn, margin calls can force the liquidation of portfolio positions. When combined with contracting liquidity arising from hedge fund redemptions, this environment leads to large cash outflows and greater portfolio losses. Because of its tendency to compound market, credit, and other risks, it is difficult to isolate liquidity risk. Market liquidity can suddenly and severely contract, making it difficult to transact at “observed” market prices. For example, bid-ask spreads may be so wide that fund NAVs may not be realistic if a fund actually seeks to sell positions. Where appropriate, liquidity risk measurement should reflect the potential discounts in value that would effectively incorporate the potential impacts of severe market changes. Liquidity risk has additional bearing in the hedge fund context for fund strategies that involve the purchase of less liquid assets coupled with hedging short positions in more liquid instruments. Hedge funds following this strategy get compensated for acting as liquidity providers to the markets.

#### **Other Investment Risks**

- **Basis risk** refers to the risk remaining after hedging has been implemented. Certain investment opportunities may not allow for

effective hedging, and hedge funds may be able to hedge some components of risk but not others. Theoretically, perfect hedging should result in a return equal to the risk-free rate, minus transaction costs. Generally speaking, there will always be some basis risk in hedged investments.

- **Common holder risk** results where many investors holding the same asset need to exit it at the same time, resulting in significant downward price pressure.
- **Event risks** are those unusual circumstances in which large-scale swings occur in capital markets. These may arise from unpredictable events such as terrorist attacks, natural disasters, unusual weather patterns, or oil supply shocks. To analyze extreme event risk, a hedge fund manager should employ a series of hypothetical scenarios that are relevant to the particular portfolio. Examples of market stress events may include rapid equity declines and credit-spread widening, or a period of rapid equity advances and credit tightening. Managers should conduct appropriate stress testing based on the current portfolio exposures and specifics.
- **Counterparty risk** arises from transacting with parties that are unable to meet their obligations. It is particularly important when investing in derivatives, in which either party's credit exposure to the other will change, perhaps significantly, over the term of a derivative contract. Managers can generally mitigate or diversify counterparty risk on two levels. First, they should choose counterparties with strong balance sheets and consistent cash flow

streams. Second, they may be able to use security interests in collateral, covenants, and credit derivatives such as credit default swaps or other types of protection to support the timely and orderly repayment of financial obligations. Investors should understand the manager's policies for selecting and monitoring counterparties.

- **Asset/liability matching risk**, sometimes referred to as funding liquidity risk, is the risk of loss when the amount of capital available to a hedge fund falls due to redemptions or the loss of other financing sources and the hedge fund cannot fund its redemptions, investments, payments to creditors or expenses. Investors assessing this risk must consider the investment strategies employed, the nature of the fund's investor base, the rights of investors to redeem their interests, asset liquidity, and counterparty funding arrangements.
- **Meta risks** are the qualitative risks beyond explicit measurable financial risks. They include human and organizational behavior, moral hazard, excessive reliance on and misuse of quantitative tools, complexity and lack of understanding of market interactions, and the very nature of capital markets in which extreme events happen with far greater regularity than standard models suggest. While these qualitative risks exist and it is useful to be aware of them, it is virtually impossible to plan for and hedge against them.

### **Best Practices**

- Investors should obtain comfort that the type and degree of risk a hedge fund assumes is consistent with its stated risk profile and the investor's risk and return objectives. This can be achieved by understanding and continually monitoring the fund's risk profile, obtaining appropriate and regular disclosure from the fund, and confirming effective risk monitoring and management by the fund manager. Investors should also understand how analyses of market risk translate into actions – for example, what triggers position adjustments and who makes those decisions.
- Investors should seek to understand the material risks in a hedge fund's portfolio through independent analysis of data disclosed by the hedge fund manager.
- The hedge fund manager should articulate its major market risks and should provide a comprehensive overview of the metrics and procedures in place to identify, measure, monitor and manage those risks.
- Managers should discuss their degree of exposure to imperfect hedges/basis risk. Both investors and managers should incorporate reasonable inherent uncertainty into their risk analyses.
- Investors should consider all material types of risks and their relevance to the performance of the hedge fund. Where market risks are relevant, the hedge fund manager should explain his approach to hedging (or not) those risks.
- Investors should evaluate the extent to which a hedge fund is subject to event risk. The hedge fund

manager should explain the material event risks associated with the fund and periodically stress test the portfolio to appraise the potential effect of extreme events.

- Investors should assess the manager's approach to counterparty risk and its mitigation, including the amount of exposure a manager has to any counterparty, how it assesses counterparty creditworthiness, whether it imposes limits on counterparty credit risk (and if not, why not), and how it monitors that risk on an ongoing basis. With respect to credit risk, investors should assess the adequacy of the manager's approach for evaluating the creditworthiness of any borrower, the nature of any underlying collateral supporting the debt, sector or borrower limits, and monitoring processes.
- Investors should determine whether and to what extent the manager seeks to account for meta risks in its portfolio. A balance of quantitative and qualitative factors in decision making is vital for an effective risk management system designed to preclude or at least mitigate meta risks.

#### **4. Liquidity and Leverage Risk**

Investors should understand the liquidity and leverage of a hedge fund, including the impact of redemptions, the ability to liquidate assets, the impact of leverage on the hedge fund portfolio, the availability of financing, and the potential impact of extreme events.

Investors should consider the risk posed by the behavior of other investors in the same fund, or even in the same fund family, which may adversely affect the stability

of the manager's business. In dislocated markets, for example, investors may exhibit herding behavior by simultaneously seeking to redeem from a fund or range of funds. This may require a hedge fund to liquidate assets at an inopportune time, at a significant loss, or to suspend investors' redemption rights.

A hedge fund's liquidity terms should be appropriate to prevent this kind of rush to the exit. Appropriate terms may include "gate" provisions that limit the amount investors can redeem at any given time. The investment terms of most hedge funds allow for the suspension of redemptions in extreme situations. Investors should understand the circumstances in which these restrictions may arise.

Leverage increases the potential magnitude of portfolio fluctuations. It magnifies investment risks and can exacerbate liquidity problems in market downturns. As such, leverage is not a true risk factor by itself, but a measure of the rapidity with which other factors affect valuation and the resulting margin of safety a manager has to ride out market volatility. Leverage also complicates a portfolio's structure due to obligations to creditors, counterparties and investors, and it can increase the risk to a fund due to the actions of these parties. In particular, dependence on leverage creates the risk that the fund will be unable to meet its obligations should access to credit become limited due to broader credit market conditions. Managers should be aware of the risks of leverage and assess leverage levels continuously.

### **Best Practices**

- The investor should understand the manager's definition of leverage as well as which investment strategies and instruments utilized by the hedge fund will generate levered exposure.
- If applicable, investors should clearly understand accounting and economic leverage limits to be utilized in the hedge fund portfolio, based on either absolute capital exposures, value-at-risk or similar measures.
- Investors should monitor leverage on a regular basis and understand hedge fund managers' plans for reducing leverage if limits are exceeded.
- Investors should clearly understand the source of leverage capital in any investment strategy and understand the restrictions on continued availability of financing and alternatives available to replace existing leverage financing in case of market dislocation or problems with an existing leverage provider.
- Investors should review the liquidity risk implicit in different assets traded by a hedge fund, taking into account factors such as jurisdiction, instrument type, and market depth. For purposes of this analysis, investors should develop familiarity with the nature of the markets in which the fund's instruments are traded.

- Investors should obtain information outlining how frequently managers conduct liquidity stress-testing and scenario analysis, and understand its scope. Investors should be satisfied that the regularity, breadth, and depth of such testing is adequate.
- Investors should understand the liquidity terms of their investment in the context of the fund's underlying asset liquidity and redemption policy, and be satisfied that those terms are fair and reasonable in light of the investor's objectives. Investors should carefully scrutinize any fund that appears to offer redemption terms inconsistent with asset liquidity.
- Investors should recognize the circumstances in which a fund can suspend redemptions and understand the measures that managers employ to mitigate the risk of such suspensions. Investors must be comfortable with those terms in the context of their objectives in considering investment in a particular hedge fund.

### **5. Measurement of Market Risks and Controls**

Risk measurement assists investors in understanding quantifiable market risks, and recognizing when they exceed applicable risk limits. Measurement techniques include stress tests and scenario analysis, value-at-risk (VaR) methods, volatility measures, concentration metrics and other approaches. No single method of measuring risk is suitable in all circumstances, particularly given the broad range of existing and emerging hedge fund strategies. Managers should employ multiple risk

measures that describe risks in several dimensions, but these should not supersede good judgment. Investors should understand these multiple risk measures and how they are applied.

Measurement tools can be complex, and investors should not rely on them exclusively. For instance, some risk measures, like VaR, understate portfolio risk in periods of low market volatility. VaR models, as well as other quantitative risk measurement techniques, often incorporate assumptions of correlations between investment returns and the distribution of asset prices. These simplifying assumptions, by their nature, cannot fully estimate the behavior of all market relationships under all conditions. Investors should be particularly wary of risk measurement using limited time series as inputs in models such as VaR. It is particularly important to employ good judgment when only limited historical data on asset behavior is available.

Stress testing and scenario analysis help assess risk during acute market events such as periods of extreme volatility and high correlations. Managers should use these measures to help better gauge their risk in severe market environments.

#### **Best Practices**

- Investors should understand the risk metrics employed by a manager, including the implications and limitations of those measurements, and ascertain whether they are appropriate for the strategies and objectives of the fund.
- Investors should confirm that the manager is not unduly dependent on any single measurement tool to manage portfolio risk.

- Investors should understand the historical data available on risk, and be aware of its limitations.
- Investors should confirm that the manager understands and regularly tests his portfolio risks in a comprehensive manner under both normal and extreme market conditions.

## **6. Management of Risk Limits**

Hedge fund managers should have procedures in place for taking appropriate responsive action if hard or soft risk limits or guidelines are exceeded. Risk reporting should be sufficiently robust to allow senior management to evaluate risk positions as frequently as necessary to prevent breaches and to address them in a timely manner if they do occur.

### **Best Practices**

- Investors should be familiar and comfortable with the hedge fund manager's decision-making policies and procedures for addressing situations in which hard or soft risk limits or guidelines are exceeded.
- Risk limit policies and procedures should state clearly who has the decision-making authority to address the breach of a hard or soft risk limit. Ideally, these decision-makers are independent of the standard investment process.
- Risk limit policies and procedures should provide for timely notification to investors and responsive action in the event that risk limits are materially breached.

## **7. Compliance**

A hedge fund adhering to best practices should have a robust compliance function including a written compliance manual. Where practicable, the compliance function should be independent of portfolio management in order to mitigate conflicts. Compliance personnel should oversee compliance with applicable laws and regulations and with key offering document representations. The compliance function should monitor all issues relating to legal and regulatory compliance and provide reports to senior management on a regular basis.

**Best Practices**

- Investors should review hedge fund managers' written compliance manuals.
- Investors should verify that the compliance function is robust, appropriately independent, and supported with sufficient resources and authority.
- Investors should be comfortable that manager's reporting requirements to investors in the case of serious compliance breaches is sufficient to enable investors to protect their interests.

**8. Operational and Business Risks**

Operational risk is the possibility of losses from systems, processes, technology, individuals, or events. Hedge fund operational risk is often greater than that of traditional asset managers for a number of reasons, including higher transaction volumes, complexity, use of leverage, financial incentives and potentially leaner staffing in start-up operations. No two funds are the same, however, and investors must always evaluate the sufficiency of operational resources in light of the particular investment under consideration. To the extent practicable, hedge fund operational functions, including

reporting, compensation and decision-making authority, should be independent of portfolio management.

Investors should assess the experience and training of a hedge fund's operational staff in the critical areas of expertise - in particular the strength and independence of its leadership, typically either a chief financial officer or chief operating officer.

#### **BEST PRACTICES**

- Investors should understand who has authority over the operational functions of the hedge fund.
- Investors should be comfortable that operational functions are appropriately independent from portfolio management to mitigate potential conflicts of interest. Investors should closely evaluate functions where such conflicts are likely to arise, including valuation, risk management and compliance. Smaller hedge funds may lack sufficient resources to separate the operational function from portfolio management, in which case investors should ascertain how the manager intends to address potential conflicts.

Like banks and long-only asset managers, hedge funds are also subject to trading risks such as failed trades, confirmation backlogs, and other trading errors. These risks can be particularly important for hedge funds due to the frequent trading that is inherent in some strategies.

A hedge fund manager should have a consistent procedure for creating and documenting buy and sell orders, checking and settling trades by personnel other than the trader, and reconciling positions with prime brokers or their equivalents on a regular (typically daily) basis. A manager also should have a process for

monitoring and acting on corporate actions on long and short equity positions, and a documented procedure for addressing trade errors caused by the manager's personnel.

#### **Best Practices**

- Investors should understand and be comfortable with a manager's processes and controls from initiation through confirmation, reconciliation, and reporting of trades and other transactions. These functions should be segregated to ensure the integrity of these controls.
- The investor should confirm that the manager's back and middle office have sufficient resources to manage expected trading and transaction volumes.
- Investors should understand and evaluate the manager's written trade error policy to determine if it assigns financial responsibility for errors appropriately.

### **9. Prime Broker and Other Counterparties**

Prime brokers provide many important services to hedge funds such as brokerage, securities lending, financing, and back office support (including clearing and settling trades). Prime brokers and other trading counterparties should be sufficiently large and sophisticated, and have the resources and expertise necessary to handle the fund's investments. Larger hedge funds may have multiple prime brokers, while smaller and newer funds are unlikely to have more than one. Prime brokers present credit risks themselves, which need to be managed by managers.

Some hedge funds trade regularly in over-the-counter markets, where participants are not subject to the strict

credit evaluation and regulatory oversight of exchange-based markets, and where the trades do not settle through exchanges or clearinghouses that guarantee the settlement of trades. The resulting risk is that a counterparty may not complete a trade (if, for example, it has credit or liquidity problems).

#### **Best Practices**

- Investors should be aware of the prime broker(s) and other material credit or trading counterparties of the hedge fund, and understand the manager's process for analyzing and diversifying prime broker and counterparty risk.
- Investors should be comfortable that managers select prime brokers with adequate liquidity, that counterparty credit risk is otherwise managed appropriately, and that prime brokers and other important trading counterparties have the ability to perform their duties effectively.
- Investors should understand how frequently the manager trades over-the-counter, and what portion of the hedge fund's portfolio is exposed to the risks of over-the-counter markets.
- Investors should understand with whom the manager trades and how the manager manages credit risk with his counterparties.
- Investors should understand the financing arrangements of the fund and what constraints those arrangements place on the fund in terms of leverage, liquidity, operations, or otherwise. Important items to consider in this regard include margin and collateral requirements, negative and positive covenants,

and default triggers such as negative performance or decreases in assets under management, or both.

- Investors should evaluate whether the fund's counterparty and financing arrangements have been appropriately stress-tested to understand the circumstances in which a trading relationship can be unwound or margin/collateral requirements increased.

## 10. Fraud and Other Crime

Fraud and financial crime are risks with any investment, and hedge funds are no exception. They can manifest themselves in several ways, with some of the most severe forms including false reporting, intentionally misleading audits, and outright theft of capital.

### Best Practices

- The Investor should take reasonable steps to confirm that:
  - the manager maintains anti-money laundering procedures;
  - the fund's net asset value statements are sent to the investor directly from the independent administrator or similar service provider;
  - fund assets are held away from the manager (e.g., that capital is held with reputable independent custodians, prime brokers or other similar third parties);
  - sufficient internal controls exist to prevent misuse or theft of client money (e.g. by requiring that cash must move in

and out of the fund's account only under written instructions of at least two sufficiently senior, responsible individuals); and

- that the fund has a robust and reasonably independent compliance function
- If a fund does not have any of the foregoing practices in place, the investor should confirm that there are sound and beneficial reasons for doing so and that the fund and its manager maintain appropriate procedures, controls and segregation of duties in carrying out those functions to protect against inappropriate and fraudulent conduct.

## **11. Information Technology and Business Recovery**

Hedge funds and their managers rely heavily on technology and require support from technological systems on an uninterrupted basis. To prevent unexpected events from disrupting the operation of a fund, the manager should have robust business recovery and information plans that are appropriate to the particular business. These should be tested periodically, and no less than once per year.

Business recovery plans should address the security and integrity of systems and data, provide for contingency office space and infrastructure, as well as off-site data storage and other back-up facilities and include alternate communications procedures. They should provide for the recovery of technology and systems and address other necessary contingencies.

**Best Practice**

- Investors should take reasonable steps to verify that a fund has robust business recovery and information technology plans and that the fund has comprehensive policies and procedures to ensure that unexpected events do not interfere with the fund's operation. Such plans should be appropriate for the size, complexity, and trading volume of the fund and address weather and geologic events that may be predictable in the locations where the fund has offices.

**12. Conflicts of Interest**

Conflicts of interest are common in the management of hedge funds and there are few legal protections for investors against such conflicts of interest other than what is provided for in investment agreements. Managers may manage multiple funds or accounts that compete for investment opportunities. They also may have interests in entities that provide services to the funds, or incentives to favor some accounts over others. Conflicts also arise in the valuation process, when managers are paid performance fees that depend on the value of those investments. Consequently, investors must largely protect themselves against conflicts of interest through their investment agreements with hedge fund managers. Effective protections must include both disclosure obligations and clear policies and procedures reducing the impact of conflicts of interest on manager decision makers.

#### **Best Practices**

- In order to assess the nature and extent of the manager's potential conflicts of interest, investors should understand the full scope of the advisor's activities, including types of funds and accounts advised by the hedge fund manager and whether they share in allocations or investment opportunities. Investors should also understand the manager's outside business activities, if any.
- Investors should confirm that managers have appropriate conflict-of-interest procedures and controls in place to provide for the fair and equitable allocation of investment opportunities across different accounts, so that none is favored over another

### **13. Other Service Providers**

In addition to prime brokers, discussed above, hedge funds often rely on other service providers, including administrators, custodians (in certain cases), and auditors, who assist the fund by safeguarding investors' assets and ensuring the accuracy of financial reporting.

Fund auditors should be experienced (specifically in auditing hedge funds), reputable and independent. Investors should be comfortable that the outside audit firm is capable in the field of hedge fund auditing, has adequate resources, and is independent of the manager. Investors should examine the historical financial statements, if any, of a prospective fund to assess past performance and reporting and, as a matter of due diligence, to ascertain if they disclose unusual qualifications or other significant information about the audits.

Fund administrators should have the capacity, resources, technology, and expertise to handle fund accounting and transfer agency services. The administrator should provide independent mark-to-market pricing, except in special circumstances where input from the manager or another third party is needed to establish the value of illiquid assets for which the administrator does not have sufficient information.

Custodians for hedge funds (usually the prime broker) should be independent and able to provide appropriate security and services to safeguard the assets of the fund.

#### **Best Practices**

- Investors should obtain information from managers explaining the process used to select and monitor the fund's service providers.
- Investors should assess whether the fund's service providers have sufficient experience and independence to perform their roles effectively, are not exposed to undue influence from the manager, and that the compensation and other terms of service provider engagements do not give rise to potential conflicts of interest.
- Investors should independently confirm material service provider relationships.

### **C. LEGAL AND REGULATORY**

#### **1. Investment Structures**

The Investment Company Act of 1940, as amended, generally requires any issuer that holds itself out to the public as being in the business of buying and selling securities or meets certain asset and income tests to register with the SEC as an investment company. Registered investment companies are required to fulfill

corporate governance requirements intended to address conflicts of interest, limit their debt, comply with strict rules in determining the fair value of their assets, permit shareholder voting on key issues, ensure that management fees are reasonable, and provide regular disclosures to investors and reports to the SEC. In most cases, a “hedge fund” is a private investment company that is excluded from regulation as an investment company because it is not sold to the general public and has fewer than 100 shareholders, or because it is not sold to the general public and its shareholders meet certain requirements. In most cases, the securities offered by hedge funds are also exempt from registration, and offered as private placements under Regulation D of the Securities Act of 1933. Because neither hedge funds nor the securities they offer are registered, investors in hedge funds do not receive the protections that registration provides.

Hedge funds are most frequently organized as limited liability companies (LLC) or limited partnerships (LP). These structures avoid taxation at the fund level and provide flow-through tax treatment to investors. Fund managers serving U.S. tax-exempt investors (as well as non-U.S. investors) frequently employ an offshore “master-feeder” structure. This combines a “master fund,” often an investment company exempt from the Investment Company Act, domiciled in a low tax or no tax jurisdiction such as the Cayman Islands, with an offshore “feeder fund,” another exempted company domiciled in the same jurisdiction as the master fund, and an onshore LLC or LP, which is also a “feeder fund.” Investors subscribe to the feeder funds, which “feed” or “upstream” their assets to the master fund, and the combined pool of assets is managed at the master-fund level. By investing in the offshore

feeder, non-U.S. investors usually avoid being subject to U.S. taxes and the reporting requirements that arise when non-U.S. investors generate taxable income that is “effectively connected to the conduct of a trade or business within the United States.”<sup>7</sup> For U.S. tax-exempt investors, the offshore feeder fund acts as a “blocker company” and may enable these investors to avoid being subject to Unrelated Business Taxable Income (“UBTI”). This structure enables tax exempt investors to participate in investment partnerships that use leverage as part of their investment strategy.

## **2. Domicile of Hedge Fund and Investments**

Many hedge funds are domiciled in “offshore” jurisdictions because of tax, regulatory, and cost considerations. Regulatory oversight in these jurisdictions is often less rigorous than even the light regulatory oversight that domestic hedge funds receive in the U.S. Partnership, corporate or other applicable law may be less well developed, and courts less transparent and accessible than in the United States. While investors and hedge funds can contract to have disputes resolved in U.S. courts, hedge fund managers may or may not be willing to agree to such language.

Offshore jurisdictions may not require funds to comply with the same accounting, auditing and financial reporting standards as found in the U.S. Financial statements for hedge funds, however, regardless of the jurisdiction where they are organized, are typically prepared under U.S. Generally Accepted Accounting Principles (U.S. GAAP) or International Financial Reporting Standards (IFRS) and audited by reputable accounting firms specializing in hedge funds. Offshore jurisdictions often

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<sup>7</sup> Internal Revenue Code §§ 871(b), 882. *See also* Internal Revenue Code § 897.

offer less uniformity in standards and practices and less supervision and oversight. This may mean that hedge funds are required to disclose less information to investors, or that they disclose it less frequently or in a different format than would be expected in jurisdictions with more extensive regulatory regimes.

The investments that hedge funds make in non-U.S. markets can be subject to changes in tax and regulatory regimes, confiscatory taxes or laws, political instability, exchange controls, restrictions on capital flows or other investment controls. Investors in hedge funds domiciled in (or operating in) unfamiliar jurisdictions may find their returns diminished or their capital unavailable for repatriation in the event of a significant change to a jurisdiction's regulatory, political, or tax regime.

#### **Best Practices**

- Investors should confirm that the hedge funds in which they invest prepare financial statements in accordance with acceptable accounting standards, such as U.S. GAAP or IFRS, and that those financial statements are audited by a reputable auditing firm.
- Investors should consider the lack of audited financial statements to present an extreme degree of risk and uncertainty with respect to a hedge fund investment.
- Investors should understand the nature, depth, maturity and stability of the legal system

### **3. Terms of Hedge Fund Investments**

A hedge fund's governing documents describe the legal and business terms of an investment in that fund. The terms are typically set out in an offering memorandum or prospectus, a subscription agreement,

a fund's constitutional document such as a limited partnership agreement or articles of incorporation, and the investment advisory contracts between the fund and its manager. Other contracts may also be important, depending on the fund.

Note, however, that an offering memorandum may not by itself be legally binding on the fund or its manager, and care should be taken in distinguishing between rights and obligations of the fund, its manager, the investor, and any other party. For reasons related to the historical intent of hedge funds to invest with minimal constraints, a focus on liability concerns, and supply and demand considerations in the investment marketplace, the investment terms of a hedge fund typically favor the fund and the manager. This state of affairs is not unique to hedge funds, but should be taken seriously when considering the terms of a hedge fund investment. For example, the governing documents of most hedge funds give managers broad, sometimes almost unlimited, freedom to make investments. As a result, hedge fund managers can often change their objectives, style, policies or restrictions without notice to or approval from investors. Some investors seek to improve such terms through negotiations. All investors should then determine whether the terms of any given hedge fund investment are acceptable in light of these risks.

The fund's governing documents should disclose the fund's intended investment strategies and policies, and the associated risks. Investors should understand the conditions, if any, in which they would receive notice of a material change to the fund's investment strategies and policies, and whether they would receive a right to redeem their interests if a change in investment strategy rendered a hedge fund unsuitable for the

investor's portfolio. Hedge funds, however, generally impose significant restrictions on the right to redeem investments. For example, initial investments may be subject to a lock-up period of one year or more and, following such lock-up period, redemptions may be permitted only quarterly or annually. In addition, funds may have the ability to impose redemption "gates" to limit the outflow of funds at any one time to a certain percentage of the fund's total assets. These help funds avoid excessive redemptions, and provide managers additional time to sell assets to meet redemption requests.

The governing documents also specify the manager's compensation, which typically consists of a management fee calculated as a percentage of the net asset value of the fund, plus a performance fee calculated as a percentage of appreciation in the net asset value of the fund. Performance fees are typically subject to a "high-water mark," whereby performance fees are not paid (either in whole or in part) on gains in the current year until losses from prior years have been recouped. Different high-water mark requirements will specify different periods from which losses must be recouped before a performance fee is paid. Some funds may also offer a "hurdle rate," pursuant to which the manager must achieve a certain return before the performance fee begins to accrue.

In the "master feeder" structure, the fees are typically charged against each investor's capital account at the feeder fund level, and each feeder pays its pro rata portion of the expenses of the master fund. Investors should pay particular attention to terms delineating expenses charged to the fund and expenses charged to the manager. They should understand what portion of the fund's operating expenses, or "overhead," is charged to investors

and what expenses are included in the management fee, and which are fund-specific expenses.

**Best Practices**

- Investors should examine, with an eye to determining whether their interests are adequately protected, among other terms:
  - the degree of investment freedom afforded to the fund’s manager;
  - the management and performance fees charged and how they are calculated;
  - the terms under which an investment can be redeemed including “lock-ups” and notice periods;
  - the manager’s power to suspend or “gate” redemptions;
  - the expenses paid by the fund;
  - extent of the use of “side-pockets” if any;
  - the risk factors associated with the investment;
  - the policies regarding the calculation of NAV;
  - the scope of the manager’s liability to the fund;
  - tax implications of the fund’s investments; and
  - indemnification provisions among the fund, the manager, and investors.

#### **Best Practices**

- Investors should also understand the circumstances under which the fund or its manager can modify terms of the governing documents and be comfortable with the potential ensuing risks.
- Investors in funds that offer varying liquidity terms to other investors should assess the risks and benefits attendant to such terms. If the fund retains the option to impose a “gate” on redemptions, investors should determine the appropriateness of the gate in light of the fund’s investment strategy and instruments.
- Investors must receive notification from the manager if other investors in the same fund are, or may be, offered different liquidity terms, whether through separate classes of interest or by “side letters.” In instances where other investors have preferential liquidity terms, the investor should determine whether the investor’s interests are adequately protected.
- Investors must retain competent legal advice to aid in the understanding and negotiation of terms.

#### **4. Fiduciary Duties (including ERISA)**

The trustee or other fiduciary of a plan subject to ERISA should determine whether the hedge fund manager is an ERISA fiduciary. If so, the plan fiduciary should determine whether the hedge fund manager complies with the requirements for an ERISA fiduciary including, where applicable, the QPAM requirements and registration as an investment adviser under the Investment Advisors Act of 1940 or comparable state law. If the hedge fund manager is not an ERISA fiduciary, it

nevertheless might be prudent for the plan fiduciary to require the hedge fund manager by contract comply with the duties of loyalty and care similar to those provided by ERISA, as well as prohibitions against self-dealing, and if not, whether the fund is an appropriate investment. ERISA fiduciaries must obtain sufficient access to information to enable them to comply with their duties under ERISA to oversee hedge fund investments.

#### **Best Practices**

- Investors and fiduciaries responsible for assets governed by ERISA should:
  - Consult with legal counsel familiar with ERISA before making hedge fund investments;
  - Confirm that they will receive disclosures from the hedge fund that are sufficient to enable them to comply with their duties under ERISA to oversee hedge fund investments;
  - Determine if the hedge fund manager is an ERISA fiduciary and complies with the requirements for an ERISA fiduciary, including the QPAM requirements, where applicable; and
  - Assess whether the hedge fund manager provides assurances that it will assume fiduciary duties including loyalty and due care provided by ERISA, and if not, whether the investment is appropriate.

## 5. Registration with SEC, CFTC and Other Regulators

Hedge fund managers operating in the United States generally may register as investment advisors with the Securities and Exchange Commission. Such voluntary registration provides investors with a number of protections, including well established fiduciary duties enforceable in U.S. federal courts, which may not be available when investing with unregistered managers. Hedge fund managers may also voluntarily register as a broker-dealer with FINRA, or as a commodities dealer with the Commodity Futures Trading Commission.

In some non-U.S. jurisdictions, investment managers are required to be registered with the relevant authorities. Such requirements may provide additional information or protection to investors. Investors, however, should be cautious in their reliance on registration by a hedge fund manager in any jurisdiction, and should not substitute regulatory oversight for their own due diligence in any circumstances.

### **Best Practices**

- Investors should determine whether a hedge fund manager is registered with or licensed by any regulatory body, and if not, should determine why and what the consequences for the investor are.
- To the extent a manager is registered or licensed with a regulatory body, investors should avail themselves of all information available by virtue of such registration or licensing (such as Form ADV with the SEC), obtain additional information from the manager or regulator concerning the nature of the registrations and their attendant

obligations, and investigate any regulatory disciplinary history.

#### **6. Rights of Other Investors / Side Letters**

Hedge fund managers should disclose material terms available to some investors that are not offered to all investors. Investors should inquire about such special terms and request copies of any side letters embodying them. At a minimum, the manager should disclose the existence of the material terms of any side letters to all investors. If the manager offers the investor less favorable terms than available to other (e.g., larger) investors, the investor should consider the extent to which it would be disadvantaged by such special rights, especially preferred or differential liquidity rights, when evaluating the appropriateness of the investment.

#### **Best Practices**

- Investors should, both prior to investment and on a regular basis following investment, request and receive from a fund's manager all pertinent information on material terms which differ from those of other investors who have invested in the fund.
- The investor should obtain sufficient information about variations in terms to determine the consequent impact of such terms on the fund's risks (including liquidity) and expected returns.

#### **D. VALUATION**

Valuation is ultimately at the core of any investment. It is the key to deciding whether to make an investment and to calculate returns from that investment over time. The increasing complexity and diversity of hedge fund portfolios and the increasing allocation to complex investments has resulted in a significant increase in efforts to formulate tools and processes for accurately valuing them. These efforts have been evident within the operations of alternative investment managers over the past several years. Auditors and institutional investors are striving currently to improve valuation techniques in the context of hedge funds increasingly investing in less liquid assets and harder to value assets.

The issues surrounding hedge fund valuation arise from the types of underlying investments and the corresponding procedures required to establish accurate, fair net asset values. The complexity of security types can range from U.S.-listed, actively traded equities (easiest to value) to non-U.S. privately placed securities (which entail foreign currency conversion as well as securities valuation issues), and complex derivative instruments that are traded over-the-counter. U.S.-listed securities are typically valued at the last sale price (or offer price for longs, bid price for shorts, or the bid/ask spread midpoint) on the primary exchange on which the security is traded. Their valuation is readily available and easily verifiable through a number of publicly available sources. From this baseline, there is a spectrum of securities and valuation methodologies with decreasing objectivity and increasing complexity. Valuation methodologies include dealer quotes (either direct or through aggregators), valuation services, models, and finally good faith estimates by the fund manager.

Valuation can become a particular problem in the context of unstable markets. Assets that are valued based on a mark-to-model approach may not be saleable at anywhere near the valuation in a market liquidity crisis. On the other hand, mark-to-market valuations in such a crisis may dramatically underestimate the value of performing assets if looked at from a cash generation perspective. The accuracy and appropriateness of valuation often has a profound impact on the ultimate portfolio returns reported to investors, as well as the fees paid to the manager. Therefore, it is critical that an investor understand the processes and controls related to deriving valuation, and that the investor evaluates and monitors these on an ongoing basis. Effectively assessing the valuation of an investment requires an understanding of the various activities involved with developing that valuation.

A hedge fund's private placement memorandum ("PPM") should describe the fund's investment valuation policies and procedures, as well as the frequency with which the fund's managers will notify investors of changes to the process and sources employed. The PPM will frequently provide the manager significant latitude in valuation methods. Also, the manager may begin investing in new types of investments without notifying investors of the new investments. Therefore, investors must look beyond the PPM to gain a comprehensive understanding of the valuation processes and sources the manager uses.

### **1. Valuation Policy**

A fund should maintain a written valuation policy separate from the PPM and other fund documents, to describe in detail the actual valuation process that the fund will follow for each type of security in which it invests. At a minimum, this should identify the securities and

instruments that the fund is expected to hold and the valuation source for each. This document should be available to all investors, and it should be updated at least annually or whenever a new instrument or security type is added.

The valuation policy should include, on an instrument-type-by-instrument-type basis, how the valuation for each instrument type is determined. The policy should also describe the control activities that occur within the organization to confirm that valuations are correct and appropriate. Investors should obtain reasonable assurances from the fund that the valuation policy is consistently applied and that it covers all of the fund's investments. In the absence of a written valuation policy, an investor should determine if sufficient valuation information is otherwise available to assess appropriately the fund's valuation-related risks. Whether or not the investor receives a formal valuation policy from the fund, the investor should confirm that the fund's valuation approach is consistent with industry standards, including Financial Accounting Standards Board Statement No. 157 ("FAS 157"), which defines fair value accounting measurements.

**Best Practices**

- Investors should verify that a fund's manager has established a written statement of valuation policies and procedures to assure that the fund's portfolio is consistently valued under GAAP (or other relevant standards), including those provisions requiring fair value valuation. These policies and procedures may include, but are not limited to:

- Use of independent, reliable and recognized pricing sources;
  - Regular reviewing and updating of the valuation policy as necessary;
  - Creation of an effective governance mechanism, such as a valuation committee;
  - Established practices and/or systems for capturing traded investment instrument prices daily; and
  - Established processes and models for pricing non-liquid securities consistently that are reviewed frequently for effectiveness.
- Investors should review the valuation policy document and understand the applicable valuation procedures and controls.
  - Investors should understand the roles of each party involved in the valuation process.
  - Investors should determine whether proper oversight of the entire valuation process exists, especially the pricing of illiquid and other investments that are difficult to price.
  - Investors should confirm that valuation professionals employed by the fund apply the valuation policy on a consistent basis and that investors are notified of any material exceptions.

## **2. Governance of the Valuation Process**

A valuation committee or similar governance mechanism can serve as an additional control to provide consistent and appropriate application of valuation methodologies. The necessity and level of formality of a valuation committee or similar mechanism is typically a

function of a fund's investment strategy and the composition of the fund's investments. For example, a U.S. domestic long/short equity portfolio should have very little need for an active valuation committee. On the other hand, a multi-strategy global fund, with significant private investments, should have an active valuation committee that meets regularly.

A valuation committee's mandate should be appropriate for the complexity and liquidity of the fund's investments. It should have the authority to approve the fund's valuation policy and it should verify and validate valuations on a periodic basis (no less than quarterly). A valuation committee should include the senior staff members responsible for investment, trading, accounting, risk and compliance functions. A properly formed valuation committee might, for example, include the analyst responsible for recommending the particular security, the head trader, the portfolio manager or chief investment officer, along with the chief compliance officer, chief risk officer, chief operating officer, and chief financial officer of the manager of the fund. A valuation committee may also benefit from the inclusion of independent committee members with valuation expertise who are not employed by the fund's manager.

The valuation committee should meet regularly and review both the fund's valuation policy and the valuation of any securities that are illiquid or otherwise difficult to value. Decisions made by the valuation committee should be documented in writing and available to investors.

**Best Practices**

- Investors should understand the functioning of the valuation committee or other governance structure of the hedge fund, and evaluate whether there is sufficient oversight of the valuation process,

including a mechanism to resolve conflicts relative to pricing on difficult to price investments.

- Investors should confirm that adequate segregation of valuation duties exists, and that valuation functions are performed by suitably independent, competent, and experienced professionals.

### 3. Valuation Methodologies

Depending on the particular security, hedge funds employ different valuation methodologies. The valuation of illiquid securities and those that are otherwise difficult to price are more difficult to verify.

- **Last Sale/Primary Exchange:** This method, applicable to all listed securities, is the most readily available, widely used, and easily verifiable valuation method. In the case of a listed security that does not trade on a given day, the mean of the bid/ask spread is usually used. Securities valued using this method include equities, futures, listed options, and exchange traded funds (ETFs).
- **Dealer Quotes:** For securities that are not exchange-traded but are actively traded over the counter, dealer quotes are the most common and accepted pricing source. These can be quotes directly from dealers that make a market in a particular security or quotes from pricing aggregators who gather quotes from various dealers on various securities daily. When a fund is using dealer quotes, it generally is preferable to consider multiple quotes for each security. Securities priced using dealer quotes include corporate bonds, preferred stock, sovereign bonds, convertible bonds,

and commonly traded swaps such as credit default swaps.

- **Valuation Services:** In the case of less liquid securities, such as loans or private placements, valuation services may be utilized. Due to the expense and complexity of these valuations, they may be performed less frequently.
- **Models:** Models include industry-accepted models, such as those used to price currency forwards, or models created by the investment manager and used as part of the initial investment evaluation. In the latter case, the valuation model should be reviewed by an independent third party who may be, but need not necessarily be, the firm's independent auditor. In the case of such "manager models," auditors typically review whether the manager has consistently used the model as part of the annual audit. Examples of securities priced by manager models could include level two and level three investments, as defined by FAS 157, such as infrequently traded corporate bonds, swaps that are not commonly traded, and certain private equity investments.
- **Other Third-Party Sources:** There are other possible sources of independent prices. For example, administrators may have their own models to price derivatives or to verify the pricing of the securities in portfolios they administer. Administrators may have the capability to compare values assigned to a particular security by funds managed by different managers to determine if a security is being consistently valued and to determine if a manager's valuation approach tends to be conservative or aggressive.

- **Manager Priced:** In those situations where none of the above methods is available, the manager often has the authority to determine a “fair value” for the security. It is the responsibility of the fund’s general partner or board of directors to ascertain that the process used to arrive at the valuation is independent, transparent and consistently applied.

**Best Practices**

- Investors should confirm that the manager uses secondary sources whenever possible to enhance the reasonableness of pricing and valuation estimates.
- Investors should confirm that the manager uses multiple sources for dealer quotes where they are available.
- Investors should confirm that any models the manager uses to determine position prices are independently tested and verified.
- Investors should confirm that the manager applies a consistent approach to valuing “side-pocket” or illiquid/hard-to-value positions.

#### 4. Valuation Controls

Controls over valuations can include the annual audit, a valuation committee, the use of third party administrators, and internal procedures and controls. A third party administrator responsible for independently getting quotes and producing the NAV can provide a level of independence that may give an investor additional comfort. Also, if an independent administrator is used in conjunction with an internal valuation process, there is a process of dual control that may also provide greater comfort to an investor.

One concern raised by investors is the elapsed time between independent valuations of a fund's entire portfolio, including less-liquid investments. Experienced hedge fund investors generally expect an independent third party to provide valuations on at least a semi-annual basis, such as at the midpoint between the annual audited financial statements. Therefore, a fund with a fiscal year ending on December 31 might have an independent valuation on June 30 in addition to its annual audited financial statements.

#### **Best Practices**

- Investors should seek an independent valuation semi-annually in funds that hold significant assets for which there is not a liquid market, where practicable. Independent valuation should, to the extent practicable, mirror the liquidity of the fund.
- Investors should confirm that credible supporting information is provided to valuation personnel on any investments requiring pricing by the manager.
- Investors should confirm that hedge fund managers use separate and distinct resources for portfolio

valuation and portfolio management responsibilities in order to avoid conflicts of interest between managing and pricing a portfolio.

- Investors should understand any material involvement by the fund manager in pricing activities.
- Investors should be familiar with the manager's policy with respect to illiquid investments and side pockets. Many managers utilize side pockets for illiquid investments and accrue incentive compensation on private investments only when they are realized. However, if the manager does not use side pockets, investors should carefully review the manager's valuation of illiquid investments.
- Investors should assess a fund's valuation methodology in the context of the fund's liquidity profile and fee structure.
- Investors should obtain net asset value (NAV) reports directly from an administrator if an external, independent administrator is used.

#### **E. FEES AND EXPENSES**

Hedge fund managers receive a management fee (typically between 1%-2% annually) plus a percentage of the fund's performance (often set at 20%). Performance is typically calculated on a cumulative basis (with incentive fees calculated against a ceiling or "high-water mark") so that any losses experienced by a hedge fund in one or more prior years must first be recouped (in whole or in part) by compensating gains before further (or full) incentive fees are paid. (An example would be a \$15 million loss in one year followed by a \$20 million gain in the next year for

which an incentive fee would be assessed only on the net \$5 million gain.) In addition, hedge fund managers allocate expenses to their funds and the investors in those funds.

Each investor should develop a comprehensive philosophy regarding the payment of fees and expenses for all investment management services contracted. This philosophy should consider fees and expenses relative to the returns sought and risks taken by an investment strategy, the liquidity offered by the investment manager, and the appropriate sharing ratio acceptable to the investor of alpha generated by the investment manager.

#### **Best Practices**

Investors should determine the overall percentage of total and excess return they are willing to pay to their respective investment managers. The percentage should be based on an investment strategy's returns, risks, liquidity, and lock-up period.

Investors should seek to actively negotiate fees and performance targets. Investors, particularly fiduciaries for others, have a responsibility not to overpay for investment management services, and also have a duty to obtain high quality investment management services when available for a reasonable price in light of market conditions.

The investor should understand the fees and expenses to be paid by the investor prior to the undertaking of any investment. This should be clearly reflected in the offering materials and legal documents for the fund, including a description of the fee schedule; the exact formula used to calculate fees owed, including where appropriate example calculations; the time period for fee calculations; and the source of information to be used to calculate the fee payments.

### **Best Practices**

- Hedge fund fees should be calculated based on audited portfolio valuations.
- Where the period of audited financial valuations does not coincide with the fee calculation period, investors should familiarize themselves with the hedge fund manager's portfolio valuation methodologies and the processes used to prepare the fee calculation. Once audited financials become available, the fee calculations should be reviewed and adjusted for any valuation differences.
- Performance fees should be calculated based on dollars of value added, not percentage returns or average capital invested for the calculation period.
- Performance fees computed as carried interest should be calculated on net value added as opposed to gross value added. The hedge fund's offering documents should adequately define "net value added", upon which performance fees are calculated (gross value added less any other expenses charged to the hedge fund).
- The hedge fund's offering documents should adequately delineate all types of potential expenses and other charges that potentially could be deducted from fund assets. These expenses may include, but are not limited to: legal expenses, accounting expenses, trustee fees, administrative fees, marketing and sales fees, custodial fees, and general investment management charges.
- The hedge fund's offering documents should adequately describe all fee sharing arrangements, soft dollar arrangements, and any compensation or benefits that the hedge fund manager may

receive from fund assets or as the result of the fund's investment activity.

- Performance fees should be calculated over a period of time that is appropriate given the volatility of the hedge fund strategy's returns and any lock-up period required by the hedge fund manager. Generally, the more volatile the investment strategy, the longer the period included for calculating the performance fee.
- Investors should determine whether performance fees are subject to a "high-water mark," whereby the fund must recoup losses from prior years before the manager receives performance fees based on current gains. Investors should determine the period of time to which the "high-water mark" limitations apply, and confirm that it is consistent with their redemption rights and investment objectives. High water marks are widely used and are considered a market standard best practice. Further, since investors may join a hedge fund investment at different times, investors should confirm that high water marks are specific for each investor and separately tracked.
- Investors using a fund of hedge funds manager should clearly distinguish all fees and expenses payable to the fund of fund manager separately from fees and expenses payable to the underlying hedge fund managers.
- Investors should use the same best practices in evaluating fees paid to a fund of hedge funds manager as they do for evaluating the fees and expenses paid to a hedge fund manager directly, including payment of carried interest on net alpha,

high-water marks, the use of audited financials to calculate fees, and the like.

## **F. REPORTING**

### **1. Reporting and Transparency**

A key concern for investors is that hedge funds' lack of transparency may lead to unexpected risk exposures. Given the broad range of strategies that hedge funds can employ, it is difficult and impractical to prescribe precise disclosure standards. Hedge fund managers typically cite commercial reasons for providing little transparency. There are sometimes legitimate competitive reasons for keeping information confidential, but often there are not.

Investors should seek sufficient transparency and disclosure to assess and monitor the material risks of a hedge fund investment. Disclosure must be timely and frequent enough to allow investors to make informed investment decisions. Appropriate portfolio transparency levels and risk metrics vary by fund and strategy. For example, it may be appropriate for funds with a small number of concentrated investments to provide position-level transparency, while meaningful portfolio metrics may be more useful to investors in hedge funds with large portfolios that trade with high frequency.

Investors should receive reports and letters, no less frequently than quarterly, from a manager that allow the reader to discern the fundamental portfolio characteristics and drivers of performance at the end of a reporting period and determine if these factors might be changing over time. Investors with significant analytical and staff resources may desire real-time information about the hedge fund's trading activity (full transparency) to gain additional insights into the fund's investment strategy.

With hedge funds, like other investments, there are practical limits to transparency dictated by issues associated with competitive secrets and materiality. The prudent investor will need to determine what disclosures are critical in assessing the essential risks and rewards of the investment. A thoughtful presentation of risk exposures and performance attribution should allow the investor to understand the structure and strategy of the manager, and to ask intelligent follow-up questions. Ideally a periodic (for example, quarterly) letter would expand upon significant portfolio developments that might include a discussion of contributions to performance, major investment themes, responses to shifts in market conditions (if relevant), and changes in personnel or vendors. The information should include the following items, when applicable:

- Gross and net exposure;
- Total portfolio, by geography and industry sector - multi-strategy managers should display the allocation of the portfolio by strategy;
- Market capitalization distribution;
- Portfolio concentration: top 10 long positions and top five short positions as a percentage of the total portfolio;
- Portfolio themes and names of top positions once the positions are fully established;
- Performance Attribution;
- Long and short;
- By geographic regions or strategy, including hedges; and
- Most significant “winners and losers.”

- Assets under management (by fund);
- Portfolio statistics (i.e., turnover, long positions, short positions, etc.);
- A statement of the investor's investment in the hedge fund, a letter discussing performance, and a report of the performance net of fees and expenses
- A statement of the asset valuations for any period in which the hedge fund manager received performance-based compensation and the percentage allocation to FAS 157 Level 1, 2, and 3 categories; and
- Tax exposure for the investors.

Investors should be able to address the following issues if they are receiving high quality manager reports:

- Is the manager following the strategy it outlined to investors? Has there been material style or strategy drift?
- Are assets under management appropriate given the manager's strategy and staffing? Have assets under management changed significantly? Have there been any material withdrawals of or additional contributions of capital made by firm personnel?
- Have there been any personnel, operational or ownership changes at the firm? Investors should be aware of significant hires and departures, new corporate structure or office locations, new prime brokerage or other relationships of this nature, and any changes to operations.

- Investors should take note of exceptional excess performance as well as underperformance, as both outcomes could be the result of an excessively concentrated position or excessive portfolio leverage.
- Investors should confirm that variations in performance do not result in conduct inconsistent with the manager's investment strategy.

**Best Practices**

- Investors should employ a process to determine the sufficiency and timeliness of a fund's transparency and disclosure. Prior to investing, investors should review sample reporting, including the risk metrics reported, and confirm that the firm will continue providing these metrics. Satisfactory disclosure will include the information investors need to understand the material risks and assess the investment in the context of their overall portfolios.
- Investors should ensure they receive appropriate information regarding a hedge fund's strategies, terms, conditions and risk management. At a minimum, investors should receive timely and agreed-upon aggregate metrics that adequately capture material portfolio risks.
- Investors should receive critical disclosures and metrics on a consistent and timely basis including general asset classes to which the portfolio is allocated. Disclosures should provide sufficient details about the hedge fund's individual holdings to allow the investor to evaluate the associated risk exposures, such as the types of securities the fund

holds, broken down by sector, duration, credit quality, geographic region, and exposures related to derivative positions.

- Investors should periodically confirm the percentage of the hedge fund portfolio that the managers classify as “illiquid.”

## **2. Performance Reporting**

Investors should develop a comprehensive approach regarding the measurement of investment performance that addresses: (i) the frequency of performance measurement; (ii) the need to measure total performance; (iii) benchmark performance and alpha (excess return over the benchmark performance); and (iv) the volatility of total return and alpha performance.

An investor’s performance measurement approach may be driven in part by their risk profile. Investors with riskier portfolios often require more frequent strategy-specific and aggregate performance reporting.

Investors should measure aggregate fund and investment strategy volatility as well as returns. These volatilities should be viewed at both the total hedge fund portfolio level and at the strategy level within the portfolio. Both normal and semi-variant risk calculations should be considered.

### **Best Practices**

- Investors should develop a comprehensive approach regarding the measurement of investment performance at the aggregate portfolio level, the investment strategy level, and the manager level. This should address: (i) the frequency of performance measurement; (ii) benchmark performance and alpha (excess return

over the benchmark performance); and (iii) volatility of total return and alpha performance.

- When practical and applicable, investors should require that hedge fund managers report their performance according to GIPS reporting standards.
- Performance measurements should be based on audited financial information. Valuation estimates are only acceptable for interim reporting to the extent that audited financial information is not available.
- Investors should require that hedge funds provide a marginal contribution to return and marginal contribution to risk analysis of their hedge fund strategies to the extent that it is crucial for the investor's assessment of the proper role of the hedge fund strategy. This may be particularly important for multi-strategy hedge funds and funds of hedge funds investments. These marginal contributions may be calculated for the current performance period and/or for monthly, quarterly and annual performance periods.
- Investors should require that hedge funds provide total fund volatility and residual risk measures for their investment portfolios. These measures should be based on a performance calculation appropriate to the types of assets the fund owns. The industry standard is to make this calculation on a monthly basis, but it may be more or less frequent depending upon the nature of the fund's assets. Investors should compare this information to the hedge fund manager's expectations of volatility/residual risk for the hedge fund portfolio.

- Investors should require hedge funds, as a part of their performance reporting responsibilities, to report the percentage of the portfolio in illiquid/non-marketable securities, and/or the percentage of the portfolio held in “side pocket” arrangements.

### **3. Funds of Hedge Funds Performance Measurement**

#### **Best Practices**

- Investors in funds of hedge funds should require that the manager employ appropriate practices to determine portfolio valuation.
- Investors should be informed of the fees and expenses charged by funds of hedge funds managers as well as the fees charged by the managers of the underlying hedge funds.
- When practical and applicable, investors should require that funds of hedge funds managers report their performance according to GIPS reporting standards.
- Investors should request performance and risk attribution statistics in order to understand better the drivers of risk and returns in the funds of hedge funds portfolio.

### **4. Aggregate Portfolio Performance Measurement**

#### **Best Practice**

- Investors should calculate their aggregate portfolio return, risk and attribution measures in a reasonable

|                                                                                  |
|----------------------------------------------------------------------------------|
| manner given their performance measurement philosophy, but no less than monthly. |
|----------------------------------------------------------------------------------|

## **G. TAXATION**

No investment due diligence process is complete without an analysis of the impact of taxation on an investment's return profile. This section raises some, but not all, of the tax issues that investors may face when investing in hedge funds. A comprehensive discussion of all of the tax issues that might affect an investor in hedge funds is beyond the scope of this report. An investor should consult with their tax advisors and carefully review the tax-related disclosures provided by a hedge fund prior to investing.

Hedge fund disclosures should explain all tax considerations that may impact a hedge fund's returns, such as taxation resulting from foreign investment or from status as a passive foreign investment company (PFIC), or any tax loss carry-forward to which the hedge fund may be entitled. Tax disclosures should also discuss the effect of phase-outs of certain exemptions, deductions, and credits utilized by the hedge fund.

### **1. Unrelated Business Taxable Income (UBTI)**

U.S. tax-exempt investors, such as pension funds and endowments, are required to pay taxes on income generated through activities that are unrelated to their typical operations, or "unrelated business taxable income" (UBTI). Despite the fact that investing is generally unrelated to the purpose of the tax-exempt organization, tax-exempt investors are not required to pay taxes on income from passive investments. However, tax-exempt investors are required to pay taxes on income generated from passive investments if the

manager borrows money to finance its investment activities.

The use of leverage within a hedge fund creates debt-financed income that is taxable to tax-exempt entities as UBTI. Investors should monitor the use of leverage and other strategies that may generate UBTI, and they should investigate structures intended to mitigate UBTI generation. For example, hedge funds that are structured as offshore corporations effectively “cleanse” the debt-financed income so that tax-exempt investors do not generate UBTI.

**Best Practice**

- Tax exempt investors and hedge fund managers should agree on the desirability of leverage in a fund’s portfolio and expectations of incurring UBTI. If a fund undergoes changes that modify the tax ramifications of investment beyond what was agreed to at the inception of the investment, the investor should receive immediate notice and have the ability to exit the fund without penalty. In addition, investors subject to UBTI should evaluate the use of structures to mitigate the impact of potential UBTI.
- Regardless of the investor’s situation, they should seek the advice of competent tax advisors.

**2. U.S. and Foreign Tax Withholding**

Tax-exempt organizations investing in offshore funds may be subject to withholding on U.S. dividends. These amounts can often be reclaimed if the hedge fund is classified as a partnership for U.S. tax purposes and it complies with certain procedures. Status as a partnership may, however, conflict with UBTI planning, as discussed

above. In the case of investments in foreign jurisdictions, dividends and other income may be subject to foreign tax withholding. The ability of a U.S. investor to rely on U.S. tax treaties with such jurisdictions may be impacted by choice of the jurisdiction under which the hedge fund is formed, and by the hedge fund's classification (corporation or partnership) for U.S. tax purposes. Some hedge funds claim the inability to monitor withholdings or comply with tax documentation obligations on an investor-by-investor basis, sometimes subjecting tax-exempt and governmental investors to U.S. withholding taxes as well. These hedge funds leave it to the investor to claim any treaty benefits or other rights related to withheld taxes.

**Best Practice**

- Tax-exempt investors should be familiar with the hedge fund's procedures for foreign and U.S. tax withholding. Investors in offshore funds should understand the fund manager's processes and procedures for monitoring, recording, and reclaiming withheld taxes. Tax-exempt investors who may be subject to withholding taxes should monitor their investments and reclaim withheld taxes or pursue avenues to avoid withholding entirely.
- Investors should seek the advice of competent tax advisors.

**3. Changes to Capital Gain Allocations**

When an investor withdraws from a hedge fund, partnership agreements may allow the hedge fund manager to reallocate short-term or long-term gains to the withdrawing investor regardless of the investor's proportional share of those gains. If the hedge fund

allocates short-term capital gains to the investor instead of long-term capital gains, taxable investors will have to pay the higher short-term capital gains tax rate for more than their proportional share of those gains. As a result, a withdrawing investor may be subject to a higher than expected tax burden and lower than expected net returns.

**Best Practice**

Taxable investors should obtain adequate information regarding a fund's allocation of capital gains to redeeming investors, including a fund's policies and procedures for allocations if they are not made on a pro rata basis. Taxable investors should understand the potential effects of capital gain allocations on after-tax returns prior to investing in a fund.

**H. CONCLUSION**

Hedge funds are a legal construct. They are not an asset class. More than other investment vehicles, hedge funds require in depth and continuous oversight by their investors. The job of the investor is to understand the essential risk and reward prospects of each hedge fund investment and how these investments combine to meet the objectives of the hedge fund program in the context of the investor's overall portfolio. Investors should assess whether their managers' investment strategies are effective and are being executed consistently. Ultimately, investors must determine whether a manager's results are due to luck or skill, and therefore whether results are repeatable over time. This imperative requires that investors utilize quantitative as well as qualitative information and analysis. Effective reporting by

managers will allow thoughtful investors to evaluate the manager's performance, strategy, organization and decision-making so that the investor may judge the suitability of each manager under consideration for inclusion in the investor's portfolio.

## V. APPENDIX

### Sources and Acknowledgements

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