

# Investment Policy

<b>POLICY NUMBER</b>	TBA
<b>APPROVAL DATE</b>	April 1998
<b>DATE OF LAST REVISION</b>	June 27, 2023
<b>DATE LAST APPROVED BY COUNCIL ON FOUNDATIONS</b>	March 14, 2022
<b>PRIMARY RESPONSIBILITY</b>	CEO

## I. Introduction

### a. Purpose

This Investment Policy Statement has been prepared by the Community Foundation of the Florida Keys (“the Foundation”), a tax-exempt Public Foundation under IRS Code 501(c)(3). The Investment Policy establishes the guidelines by which the Investment Assets of the Foundation should be managed. The guidelines within the Investment Policy were designed to enhance the probability of achieving the goals and objectives of the Foundation in a manner that is consistent with the laws, regulations and policies that govern the prudent management of investment assets in a fiduciary setting. The document is further intended as a reference tool as well as a communications link between the Board of Governors, the Foundation Investment Committee, Foundation staff, its Investment Consultant, and Investment Managers.

### b. Fiduciary Duty

In seeking to attain the investment goals and objectives set forth in this Investment Policy, all Fiduciaries must act with the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced investment professionals, acting in a like capacity and fully familiar with such matters, would use in like activities for like portfolios with like aims in accordance and compliance with all applicable laws, rules, and regulations. Moreover, all Fiduciaries are to act solely in the interest of the Foundation.

The Board of Governors will use the following general safe harbor rules to manage its fiduciary duty:

- Use prudent experts to make investment decisions
- Demonstrate that prudent experts, including but not limited to its Investment Committee members were selected by following a due diligence process
- Have the prudent expert acknowledge his/her Fiduciary status

- Monitor the activities of the prudent expert to ensure that the expert is performing the agreed upon tasks

**c. Florida Uniform Prudent Management of Institutional Funds Act**

This Investment Policy has incorporated the provisions of the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) per Florida Statute 617.2104. Consequently, the Investment Committee and Board will consider all of the following when approving investment management decisions and evaluating results:

- General economic conditions
- The possible effect of inflation or deflation
- The expected tax consequences, if any, of investment decisions or strategies
- The role each investment or course of action plays within the overall investment portfolio of the fund
- The expected total return from income plus appreciation of investments
- Other resources of the institution
- The needs of the institution and the fund to make distributions and to preserve capital
- The asset's special relationship or special value, if any, to the charitable purposes of the institution

## **II. Definitions**

**“Board of Governors” or (“Board”)** is the governing body of the legal entity known as The Community Foundation of Florida Keys.

**“Custodian”** shall mean any commercial entity recognized for its competency in custody, and with assets totaling not less than one billion dollars that will (1) Hold securities for safekeeping; (2) Report on holdings and transactions; (3) Collect interest and dividends; and, (4) Effect trades, if required.

**“Fiduciary”** shall mean any individual or group of individuals that exercise authority or control or inform with respect to management, disposition or administration of the Investment Assets on a comprehensive and continuous basis.

**“Full Market Cycle”** shall be a period of time during which the long-term historic rates of return are realized, but not less than five years.

**“Investment Assets”** consists of all assets so designated by the Board. The purpose of the Investment Assets is to provide capital appreciation and earnings sufficient to meet the operational and long-term capital needs of the Foundation and its donors. All such assets are

governed by this Investment Policy including both internally managed and externally managed donor advised accounts.

**“Investment Committee”** is a committee of the Foundation charged with recommending policy and overseeing management of the Investment Assets.

**“Investment Consultant”** shall mean any individual or organization employed to provide advisory services, including advice on investment policy, investment goals and objectives, asset allocation, manager search and selection, and performance measurement and evaluation.

**“Investment Manager”** shall mean any individual or group of individuals employed to manage all or part of the Investment Assets.

**“Spending Policy”** is the method for determining allowable distributions off the restricted and non- restricted assets.

### **III. Roles and Responsibilities**

#### **a. Responsibilities of the Board of Governors**

The Board maintains the ultimate responsibility to ensure the investment activity reflects the true intention of the Board. The Board has delegated to the Investment Committee those responsibilities as defined below; however, it retains the following responsibilities:

- Approve changes to the Investment Policy Statement.
- Approve appointment of Investment Committee Members.
- Approve and/or reject the Investment Committee’s recommendations for Investment Consulting, Custodian and Donor Investment Managers.
- Review all reports and analysis provided by the Investment Committee.

#### **b. Responsibilities of the Investment Committee**

The Investment Committee is Board-designated to protect the interests of the Foundation’s Investment Assets. The Investment Committee is the primary watchdog in monitoring the Investment Assets, and as such is responsible for coordinating with the Investment Consultant information related to flows, updates, quarterly and extraordinary reports, and general and special communication that may be required from time to time regarding any matters contemplated herein concerning the investment activities. Its primary responsibilities are to:

- Monitor the investment assets and provide reports, not less than annually, and as needed at any time, to the Board regarding investment performance and other pertinent information.
- Adopt, review and revise, as needed, this Investment Policy.

- Adopt, review and revise, as needed, the recommendations of the Investment Consultant regarding policy guidelines for the asset allocation of the assets according to investment style, planning for near term cash needs and liquidity.
- Approve selection and retention or termination of all Investment Consultants, Donor Investment Managers, Investment Managers and Custodians.
- Adopt, review and revise in conjunction with Staff and the Investment Consultant, as needed, the Foundation Spending Policy.
- Review reports from outside professionals and the Investment Consultant on the performance of Investment Assets.
- Avoid prohibited transactions and conflicts of interest.
- Consider, revise, and accept (or reject) recommendations made by the Investment Consultant regarding the management of Investment Assets.

**c. Responsibilities of Foundation Staff**

- Ensure that sufficient liquidity exists in the investment accounts to handle both anticipated and, to the extent possible, unanticipated cash needs of the Foundation. Communicate such cash needs to the Investment Consultant and to the Investment Committee for action.
- Notify the Investment Consultant of expected contributions of cash and securities along with corresponding information on where those assets should be invested.
- Under direction and/or standing written procedures and authorizations from the Investment Committee, initiate rebalancing of strategic asset allocation.

**d. Responsibilities of the Investment Consultant**

- Serve as an objective, third-party advisor to the Investment Committee. The Investment Consultant will operate with limited discretion, meaning it will manage the assets in accordance with the asset allocation described herein. The Consultant retains the right to rebalance the portfolio as necessary, make tactical adjustments to the allocation within the Investment Policy Statement stated guidelines and make manager changes without seeking prior committee approval.
- Assist in the development, implementation, review and monitoring of a formal Investment Policy.
- Offer advice that is consistent with the investment objectives, policies, guidelines and constraints as established in this Investment Policy.
- Provide research and analysis on the Investment Managers.
- Measure and monitor investment performance against appropriate benchmarks, including peer group rankings.
- Make available topical research and education on investment subjects that are relevant to Investment Assets and to the continuing education of the Investment Committee members.
- Provide an overview of all investment, custodial and consulting expenses associated with the Investment Assets.

**e. Responsibilities of the Investment Manager(s)**

As distinguished from the Foundation's Investment Committee and the Investment Consultant, who are responsible for managing the investment process, investment managers are responsible for making investment decisions. Specific duties and responsibilities of each manager are to:

- Communicate with the Investment Consultant regarding all significant matters that the Investment Manager deems material, including but not limited to: changes in the firm's ownership, organizational structure, professional staffing, investment philosophy or investment process and other changes of a substantive nature.
- Provide expanded analyses to the Investment Consultant and/or Investment Committee as requested.
- Comply with all legislation and regulations as they pertain to the Investment Manager's duties, functions and responsibilities as a fiduciary in managing the Investment Assets.
- If applicable, Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Foundation set forth herein.

**f. Responsibilities of the Custodian**

Custodians are responsible for the safekeeping of the Investment Assets. The specific duties and responsibilities of the custodian are:

- Maintain separate accounts by legal registration.
- Value the holdings.
- Provide customary custodial functions including but not limited to security safekeeping, collection of income, settlement of trades, collection of proceeds of maturing securities, detailing uninvested cash.
- Provide timely monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall Investment Assets since the previous report.

Voting of proxy ballots shall be for the exclusive benefit of the Foundation. Proxies for securities held in the portfolios of individual investment managers will be voted as outlined in the Duties and Responsibilities of the Investment Manager(s) section.

## g. Responsibility Matrix

Fiduciary Level	Investment Consultant Selection	Investment Policy	Manager Selection	Tactical Allocation	Rebalancing	Individual Security Selection
Board of Governors	Approves	Approves				
Investment Committee	Recommends	Recommends	Informed	Informed	Informed	Informed
Foundation Staff		Provides Input	Notified	Notified	Notified	Notified
Investment Consultant		Assists	Recommends	Facilitates	Facilitates	Monitors
Investment Managers						Executes

## IV. General Investment Principles

### a. Investment Return

In order to meet its needs, the investment strategy of the Foundation is to emphasize total return (the aggregate return from capital appreciation plus dividend and interest income).

### b. Definition of Risk

The Committee defines risk as the probability of not meeting the investment objectives. The Committee expects that Investment Manager(s) will manage its portfolio in a manner consistent with the investment objectives and investment strategy as defined in this Investment Policy applicable to its portfolio. The Investment Manager(s) are to make reasonable efforts to control risk and will be evaluated regularly to ensure the risk assumed is commensurate with the given investment style and objectives. The Committee understands that, in order to achieve its objectives for the Investment Assets, the portfolio may experience volatility of returns.

### c. Diversification

The Investment Committee recognizes the broad diversification of the Investment Assets among various asset classes will help mitigate the magnitude of a loss in any single year.

### d. Market Timing and Shifts

The Investment Committee recognizes there is considerable evidence that the passage of time causes the greatest rewards to accrue in favor of consistent investing approaches. Furthermore, the overall risk exposure could become uncontrollable without reasonable, careful adherence to the asset allocation guidelines in this policy. It is not, therefore, the general intention of this Investment Policy to allow short-term judgments to introduce significant unplanned risk. The Investment Committee recognizes adherence to this policy will occasionally appear to be either too risky or too conservative for current market conditions; however, the Investment Committee also recognizes that experts rarely agree about the near-term direction of the capital markets, and such opinions have generally proven to be a poor guide for action.

**e. Time Horizon**

The investment guidelines for the portfolio are based upon an investment horizon of greater than five years; therefore, interim fluctuations should be viewed with appropriate perspective. Although the long-term trend has been that gifts received exceed grants paid, the gifts often result from bequests. Due to active grant making by agency and donor advised funds, we anticipate that reductions in the pooled investment account will be made monthly with less frequent but much larger deposits when gifts received are greater than grants paid. Rebalancing of investments will be required periodically when cash available in the investment pool is insufficient to meet grant payments.

**f. Adherence to Investment Discipline**

Investment Managers are expected to adhere to the investment management styles for which they were retained. Investment Managers will be evaluated regularly for adherence to investment discipline.

**g. Benchmark Indices, Peer Groups and Performance Objectives**

The Investment Committee expects its Investment Managers will add value to the broad market returns over a full market cycle, net of fees. Accordingly, the Investment Committee will consider performance to be adequate if the Investment Manager outperforms their respective index or peer group median over a full market cycle.

**V. Investment Manager Criteria**

**a. Selection of Money Managers**

Investment Managers must be registered under the Investment Advisers Act of 1940 or Investment Company Act of 1940. The Investment Consultant requires that each Investment Manager provide, in writing, acknowledgement of fiduciary responsibility for the assets under their management.

The Investment Consultant is responsible for the selection, retention and termination of the Investment Managers. The criteria for selecting Investment Managers include, but are not necessarily limited to:

- Historical performance of the Investment Manager's composite
- Risk taken by the Investment Manager as measured by standard deviation and beta
- Consistency of the Investment Manager's investment style
- Overlap of investment style and/or fund holdings with other Investment Managers
- Total firm assets under management and assets specific to the product of interest
- Portfolio manager's tenure with the specific product of interest
- Quality of the Investment Firm and its personnel

## **b. Investment Manager Termination**

The Investment Consultant intends to evaluate the Investment Managers quarterly but reserves the right to terminate a manager for any reason including, but not necessarily limited to any reason previously cited. The decision to retain or terminate a manager cannot be made by a formula. It is the Investment Consultant's confidence in the Investment Manager's ability to perform in the future that determines ultimately the retention or termination of a manager.

## **VI. Performance Monitoring**

### **a. Overall Performance Expectations**

In general, the Committee will measure the return goals for each pool of capital against one or more of the following:

1. **Detailed Market Weighted Index:** A composite portfolio rate of return that is a weighted average similar in nature to asset allocation of the underlying pool.
2. **General Market Weighted Index:** A composite portfolio rate of return that is a weighted average of Global Equities and Global Fixed Income that is a weighted average similar in nature to asset allocation of the underlying pool.
  - The **MSCI ACWI** is a top-down, float capitalization-weighted index which measures the performance of the entire universe of institutionally investable equity securities.
  - The **Barclays Capital Global Aggregate Bond Index** provides a broad-based measure of the global investment-grade fixed income market, including government, credit, and collateralized securities.
  - **Growth Related Index:** A nominal return required to maintain the portfolio's corpus while meeting liquidity needs. Typically represented as Inflation (CPI) + Spending Policy

These benchmarks are intended to be a guide. A particular fund may have characteristics sufficiently different to warrant diverting from either the universe or index described above.

### **b. Investment Manager Performance Expectations**

The investment performance of each Investment Manager/fund will be measured against:

1. A commonly accepted index benchmark determined for each Investment Manager/fund based on the asset class mix of the Investment Manager's portfolio.
2. A comparison of the Investment Manager/Fund relative to their primary peer class.
3. A comparison of the risk (standard deviation) of the Fund relative to their benchmark and/or peer class.

Although short term underperformance will be tolerated and closely monitored by the Consultant, Managers are normally expected to perform at or above their peer group averages over time.



## VII. Operational Issues

### a. Spending Policy

This spending policy applies to discretionary, donor designated, field of interest, scholarship, and other permanent funds from which grants are recommended by the Community Foundation's staff, Board and/or grant committees, unless the donor has clearly expressed a different intent. This policy is optional for spendable donor advised funds.

The Foundation uses a distribution guideline of **4.25%** of the weighted 12-month average.

This recommendation is based on a careful consideration of FUPMIFA regulations, and includes such factors as preservation of the fund, general economic conditions, inflation or deflation, the expected total return from income, and the appreciation of investments.

### b. Rebalancing Among Asset Classes and Allocation of Net Contributions

Because different asset classes will perform at different rates, the Investment Assets may experience asset allocation shifts caused by performance. To the extent that adequate re-balancing among asset categories cannot be affected via the allocation of contributions/distributions, the Committee may redirect monies from one manager to another, if necessary, to maintain the target ranges of this policy and provide necessary liquidity.

The Committee recognizes that a rigid asset allocation would be both impractical and, to some extent, undesirable under various market conditions. Therefore, the allocation of the Investment Assets may vary from the allocation guidelines under abnormal circumstances without being considered an exception to this investment policy.

## VIII. Control Procedures

### a. Measuring Costs

The Foundation will annually review all costs associated with the management of the Portfolio's investment program, including:

1. **Investment Manager Fees:** Expense ratios of each investment option.
2. **Custody Fees:** The holding of the assets, collection of the income and disbursement of payments.
3. **Third Party Advisors:** Management fees for Advisor Driven Model (see Appendix).
4. **Consulting Fees:** Fees associated with the Investment Consultant.

### b. Investment Policy Statement Review

The Foundation will review this Investment Policy Statement at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the Investment Policy Statement will change

frequently. In particular, short-term changes in the financial markets should not require adjustments to the Investment Policy Statement.

**c. Investment Consultant Review**

The Investment Committee will review reporting from the Investment Consultant quarterly and perform a more comprehensive annual performance review compared to peers and benchmarks at least annually. Beginning in 2023, a request for proposals from investment managers will be reviewed at least every five years, to evaluate market fees and available services.

## Appendix 1 Long Term Pool

### a. Purpose

- Long term investment
- Ability to tolerate shorter term volatility in favor of potentially higher long-term returns
- Maintain principal after accounting for an annual spending pattern of between 4-5%
- Time horizon of greater than 7+ years

### b. Objectives and Expectations

- To maintain purchasing power as measured by CPI + Spending Policy + Admin Fee
- To prudently appreciate capital to provide funding for Foundation grantmaking
- To achieve a competitive rate of return, net of fees, as compared to a customized index comprised of benchmark weighted by the target asset allocation

### c. Asset Allocation

Asset Class	Allocation Range	Strategic Target	Index for Measurement
<b>Equities</b>			
Large Cap			
Large Cap Core	15-35%	25.0%	S&P 500 or Russell 1000
Large Cap Growth	5%-25%	10.0%	Russell 1000 Growth
Large Cap Value	5%-15%	10.0%	Russell 1000 Value
Small Mid Cap			
Small and/or Mid Cap	5%-10%	7.5%	Russell 2000/2500/Midcap (Core/Growth/Value)
International	0%-15%	12.5%	MSCI EAFE and/or MSCI ACWI ex/US
<b>Total Equities</b>	<b>55%-75%</b>	<b>65.0%</b>	
<b>Alternatives</b>			
Strategic and Alternative	0%-15%	10.0%	Varies - Strategy Specific
<b>Total Alternatives</b>	<b>0%-15%</b>	<b>10.0%</b>	
<b>Fixed Income</b>			
Multisector Fixed Income	0% - 10%	5.0%	Barclay Aggregate
Intermediate/Core	10%-25%	15.0%	Barclay Int Gov/Credit or Aggregate
Short Term Fixed Income	0%-10%	0.0%	Barclay 1—3 Gov Credit
Cash	0%-10%	5.0%	90 Day T-Bill
<b>Total Fixed Income</b>	<b>20%-40%</b>	<b>25.0%</b>	

*These benchmarks are intended to be a guide. A particular fund may have characteristics sufficiently different to warrant diverting from either the universe or index described above or developing a custom benchmark*

### d. Specific Benchmark Comparisons

Policy Benchmark	Definition
Detailed Market Weight Benchmark	Weighted average of above table and percentages
General Market Weight Benchmark	75% Global Equities + 25% Global Bonds
Growth Benchmark	CPI + Spending Policy of 4.25% + Admin Fee of 1-2%

## Appendix 2 Short Term Pool

### a. Purpose

- Intermediate term investment
- Balances capital preservation and growth
- Time horizon of typically 3-5 years

### b. Objectives and Expectations

- To prudently appreciate capital while preserving principal
- To achieve a competitive rate of return, net of fees, as compared to a customized index comprised of benchmark weighted by the target asset allocation

### c. Asset Allocation

Asset Class	Allocation Range	Strategic Target	Index for Measurement
<b>Equities</b>			
<b>Large Cap</b>			
Large Cap Core	10%-30%	20.0%	S&P 500
Large Cap Growth	2.5%-12.5%	7.5%	Russell 1000 Growth
Large Cap Value	2.5%-12.5%	7.5%	Russell 1000 Value
<b>Small Mid Cap</b>			
Small and/or Mid Cap	0% - 10%	5.0%	Russell 2000/2500/Midcap (Core/Growth/Value)
International	5%-15%	10.0%	MSCI EAFE and/or MSCI ACWI ex/US
<b>Total Equities</b>	<b>40%-60%</b>	<b>50.0%</b>	
<b>Alternatives</b>			
Strategic and Alternative	0%-10%	0.0%	Varies - Strategy Specific
<b>Total Alternatives</b>	<b>0%-10%</b>	<b>0.0%</b>	
<b>Fixed Income</b>			
Multisector Fixed Income	0% - 15%	10.0%	Barclay Aggregate
Intermediate/Core	20%-40%	30.0%	Barclay Int Gov/Credit or Aggregate
Short Term Fixed Income	0%-10%	5.0%	Barclay 1—3 Gov Credit
Cash	0% - 10%	5.0%	90 Day T-Bill
<b>Total Fixed Income</b>	<b>40%-60%</b>	<b>50.0%</b>	

*These benchmarks are intended to be a guide. A particular fund may have characteristics sufficiently different to warrant diverting from either the universe or index described above or developing a custom benchmark*

### d. Specific Benchmark Comparisons

Policy Benchmark	Definition
Detailed Market Weight Benchmark	Weighted average of above table and percentages
General Market Weight Benchmark	50% Global Equities + 50% Global Bonds
Growth Benchmark	CPI + 3% + Admin Fee of 1-2%

## Appendix 3 In Paradise for Good Pool

### a. Purpose

- Responsible investments for long-term environmental and societal benefit especially with respect to the environment, climate, and diverse culture of the Florida Keys
- Ability to tolerate shorter term volatility in favor of potentially higher long-term returns
- Maintain principal after accounting for an annual spending pattern of between 4-5%
- Time horizon of greater than 7+ years

### b. Objectives and Expectations

- To maintain purchasing power as measured by CPI + Spending Policy + Admin Fee
- To prudently appreciate capital to provide funding for Foundation grantmaking and its donors
- To achieve a competitive rate of return, net of fees, as compared to a customized index comprised of benchmark weighted by the target asset allocation

### c. Asset Allocation

Asset Class	Allocation Range	Strategic Target	Index for Measurement
<b>Equities</b>			
Large Cap	25%-45%	40.0%	S&P 500 or Russell 1000
Small Mid Cap	10%-20%	15.0%	Russell 2000, Russell Midcap or Russell 2500
International	0% - 20%	10.0%	MSCI ACWI ex: US or MSCI EAFE
Global Equities	0% - 20%	10.0%	MSCI AC World
<b>Total Equities</b>	<b>65%-85%</b>	<b>75.0%</b>	
<b>Alternatives</b>			
Strategic and Alternative	0%-10%	0.0%	Varies - Strategy Specific
<b>Total Alternatives</b>	<b>0%-10%</b>	<b>0.0%</b>	
<b>Fixed Income</b>			
Intermediate/Core	10%-30%	15.0%	Barclay Int Gov/Credit or Bloomberg Aggregate
Short Term Fixed Income	0%-10%	5.0%	Barclay 1—3 Gov Credit
Cash	0% - 10%	5.0%	90 Day T-Bill
<b>Total Fixed Income</b>	<b>15%-35%</b>	<b>25.0%</b>	

*These benchmarks are intended to be a guide. A particular fund may have characteristics sufficiently different to warrant diverting from either the universe or index described above or developing a custom benchmark*

### d. Specific Benchmark Comparisons

Policy Benchmark	Definition
Detailed Market Weight Benchmark	Weighted average of above table and percentages
General Market Weight Benchmark	75% Global Equities + 25% Global Bonds
Growth Benchmark	CPI + Spending Policy of 4.25% + Admin Fee of 1-2%

## **Appendix 4 Money Market Pool**

### **a. Purpose**

- A more stable investment option for donors or organizations that will likely make grants immediately or in the near future.
- A vehicle for the Community Foundation itself to manage the portion of its own funds that needs to be available in the short term for grants, operating expenses, and program expenses.
- The choice to ensure the ability to meet short-term goals without being impacted by market volatility.
- Time horizon of three years or less

### **b. Objectives and Expectations**

- To prioritize liquidity over the long-term growth potential of stock or bond funds
- To be able to raise cash for grantmaking within a very short period of time (often available in one or two business days).
- To know that the return will not be significant and potentially negative when money market rates are low and may not fully cover the Community Foundation's administrative fees.
- To achieve a competitive rate of return compared to prevailing money market rates.

### **c. Asset Allocation**

Money market account at one or more local Florida Keys bank(s); amount is included in assets under management but not directed by or subject to fees from the investment consultant

### **d. Specific Benchmark Comparisons**

Money market rates available from local banks

## **Appendix 5 Advisor Driven Model**

### **a. Purpose**

The Foundation welcomes the opportunity to work with donors and fund advisors who desire to have their funds individually managed outside the Foundation's core investment pools. The fund advisors' request must be approved by the Board of Governors and is subject to ongoing review. If the funds are managed in a manner inconsistent with fiduciary and UPMIFA standards, the Board retains the right to remove the third-party advisor in favor of the pooled options. The donor is not permitted to have any influence over the investment strategies, except to provide input on risk tolerance and cash flow needs required by the advisor to create a suitable portfolio and meet the spending rate.

### **b. Minimum Requirements**

- The donor is making a gift of at least \$100,000 to the Foundation for the purposes of establishing a new fund
- The donor requests in writing, as a condition of the gift, that the gifted assets be held by the Recommended Manager
- The Recommended Manager, at a minimum, must be a registered investment advisor under the Investment Advisors Act of 1940
- The donor or fund advisor does not have a family relationship with the Recommended Manager or with the employees or owners of the Recommended Manager's firm
- The assets must be managed in a separate account belonging to the Foundation and the donor may exercise no control over that account

### **c. Initial Screening**

The donor will furnish the Investment Committee with background information on the firm and its advisor which includes, but not limited to, Form ADV and ADV II, Conflict of Interest Disclosures required by the advisor and any publicly available regulatory information such as a U4 that contains litigation history and/or complaints.

### **d. Third Party Advisor Responsibilities**

- Provide a target asset allocation and anticipated ranges
- Provide a benchmark to facilitate ongoing performance measurement
- To raise capital and/or invest capital in a timely manner once notified
- To notify the committee of any changes to the organization or responsible parties that affect management of the account
- To notify the committee of any regulatory investigations, findings or litigation
- To disclose all sources of compensation and fees related to management of the account
- To disclose any conflicts of interest
- To report to the committee on performance as requested

- To notify the Investment Consultant of any material changes to the portfolio, including allocation and manager changes
- To complete the annual due diligence attestation

**e. Investment Consultant Responsibilities**

- Monitor the asset allocation for compliance with the stated targets
- To benchmark and report on the composite performance

**f. Crediting of Returns**

Any funds managed on a standalone basis by a Recommended Manager will increase or decrease as a result of its standalone investment performance. For Recommended Managers managing funds folded into a Pool, investment earnings on the Pool will be allocated proportionately to the endowed fund established by the donor in the same manner that said earnings are allocated to all of the Foundation's other endowed funds.

**g. Fees**

The donor acknowledges that the fees and expenses charged by the Recommended Manager will be deducted solely from the total return on the funds held by the Recommended Manager. The Foundation will discuss these fees and expenses with the Recommended Manager to reach an agreement establishing fees and expenses that are commensurate with the services the Recommended Manager will provide. Furthermore, the donor agrees that an annualized Investment Consultant's fee may be deducted from the total return on the funds.

**h. Revocation or Termination**

The donor and the Recommended Manager acknowledge that the Board of Governors of the Foundation may, at any time, revoke the privilege of the donor recommendation. The donor acknowledges that I.R.S. regulations require that the Foundation Board retain the sole discretion to terminate the Foundation's relationship with the Recommended Manager, and to transfer the funds held by the Recommended Manager to other investment consultants under any facts or circumstances that the Board in good faith believes warrant such termination and transfer. Such facts and circumstances will include but not be limited to a determination made in the sole discretion of the Board that the Recommended Manager has failed to meet benchmark requirements; has failed to perform comparably to other Managers; has charged fees that are incommensurate with services provided; or has otherwise failed to perform as requested by the Foundation.



## Appendix 6 Spending Rate

Effective since January 2018: **4.25%**

Historical:

2017	4.0%
2013 to 2016	4.25%
Inception to 2013	4.50%

The Portfolio's Spending Rate is to be reviewed annually by the Investment Committee and any revisions or reaffirmations of the current spending rate are to be approved by the Foundation's Board of Governors. This spending rate is intended to represent a rate that is sustainable given the Foundation's long-term investment outlook, objectives, desired allocation, and administrative fee percentage. Potential future revisions could occur because of any changes in any of these objectives, but the Spending Rate is not expected to vary by more than ¼% per year.

## Appendix 7 Policy Revision History

Version	Date Adopted	Reason for Revision
1.0	April 1998	Initial Investment Policy Statement
1.1	December 18, 2007	Major revision including asset allocation targets
1.2	August 12, 2008	Retained Mason Investment Financial Advisors as investment consultant
1.3	February 13, 2009	Amended asset allocation targets
1.4	May 5, 2011	Changed rebalancing parameters, added an Addendum for the Treatment of Excess Business Holdings
1.5	June 10, 2013	Amended asset allocation targets
1.6	March 15, 2016	Updated methods used to select and evaluate fund managers
1.7	August 16, 2016	Added section on adherence to UPMIFA to meet Community Foundation National Standards
1.8	February 21, 2017	Changed to “D” portfolio and reduced spending rate to 4%
1.9	December 12, 2017	Increased spending rate to 4.25% and streamlined the Investment Policy Statement update process
1.10	April 21, 2020	Added to the due diligence section, describing the Equity Biased Growth Reference Point and how it will be used
1.11	January 18, 2022	Major revision due to retaining Fidelity Managed Accounts as investment consultant in February 2021
2.0	June 27, 2023	Retained CAPTRUST Financial Advisors as investment consultant; comprehensive update adding Responsibility Matrix and new appendices for pools detailing asset allocation and performance benchmarks, including new ESG pool