

Sample

Investment Policy Statement

Table of Contents

Executive Summary	3
Investment Objectives and Goals	4
Authorized Decision Makers	6
Asset Allocation	7
Rebalance Procedures	7
Portfolio Limitations and Restrictions	8
Selection/Retention Criteria for Investments	9
Investment Monitoring and Control Procedures	10
Performance Monitoring and Evaluation	11
Investment Committee Responsibilities	12
Delegation of Responsibility	12
Other Guidelines	13
Adoption	14

Executive Summary

Name	XXXXXXX
Tax ID	XXXXXXX
Revision Date	XXXXXXX
Primary Objective	Growth and Income
Target Range Rate of Return	6-8 %
Spending Policy	See Investment Objectives
Current Asset Allocation	70% Equity 30% Fixed Income and cash 5% Inflation /Hedging Asset
Target Asset Allocation	70% Equity 30% Fixed Income and cash 5% Inflation/Hedging Asset
Rebalance Procedures	Variation of 500bp from policy targets
Restrictions	Investment Grade Bonds at purchase 20% maximum per diversified fund at time of purchase. 10% maximum per individual security at time of purchase. Prohibited investments as outlined by United States Council of Catholic Bishops
Meeting Frequency	Quarterly

Investment Objectives and Goals

The investment strategy is to support both the operating needs as well as the long-term financial requirements of the Parish.

- Based on a risk profile of a 70% allocation to global equities, the expected return is 7% with an annual standard deviation of 12%.

The Investments will follow this investment policy statement.

A target asset allocation plan has been established which is expected to provide a long-term rate of return sufficient to achieve these goals as well as to allow for reasonable growth. With that in mind, investment decisions will always consider:

- The effects of inflation or deflation
- General economic conditions
- The role that each investment or course of action plays within the overall investment portfolio
- The needs of the Parish and the fund to make distributions and preserve capital

Authorized Decision Makers

The authorized decision maker(s) for the assets under this IPS are:

ASSET ALLOCATION

To achieve its investment objective, the Fund will allocate its investments among asset classes, with a bias toward equity-like investments due to their higher very long-term return. Asset classes may be added to the Fund to enhance returns, reduce volatility through diversification, and/or offer a broader investment opportunity set. These asset classes may include:

Equities-public equities account for a very large portion of the world's financial markets and can provide long-term real growth.

Real Assets-these assets tend to have inflation-hedging characteristics and may include real estate, natural resources, commodities and TIPS.

Fixed Income-intended to provide deflation-hedging characteristics and as such can include high quality U.S. and non-U.S. government bonds or other investment grade bonds. Bonds offer a low correlation to equities and other asset classes, which may provide a benefit to the total portfolio. Lower quality bonds may also be retained in the context of the overall portfolio when conditions are attractive.

Cash-cash may be included in the portfolio to meet liquidity needs.

To protect against a decline in a particular currency, such as the U.S. dollar, asset classes may be diversified across numerous countries and currencies.

The following asset allocation ranges have been established:

<u>Asset Class</u>	<u>Policy Target</u>	<u>Policy Range</u>
Equity	70%	65%-75%
Inflation Hedging Assets	5%	0 – 10%
Fixed Income/Cash	30.0%	25%- 35%

The target for the actual asset mix will be reviewed by the Investment Committee annually, or more frequently as necessary. As part of this process, a rebalancing procedure within the policy framework of the adopted asset allocation model has been established.

Change in the allocation to the asset class segments or sub segments can be made at any time the quarterly weighting is outside the established weight range as defined in the asset allocation model, as follows: The Investment Committee will review the segment asset allocations at their regularly scheduled meetings and any decisions made to change the allocations will be implemented after the meeting. In the case of major market movements resulting in valuation changes that affect allocations, rebalancing of the

segment allocations may be made prior to the quarterly review upon approval of the Chair of the Investment Committee (in consultation with members of the Committee) and the Chief Operating Officer.

Rebalance Procedures

The portfolio is to be rebalanced when the actual asset allocation (stocks versus bonds) deviates from the policy targets by 500 basis points. Importantly, this rebalancing discipline is to ensure that the portfolio is taking the appropriate level of risk throughout all phases of the market cycle. It is accepted that rebalancing helps manage risk and it may or may not enhance returns.

Portfolio Limitations and Restrictions

- The Portfolio may only invest in bonds rated investment grade at purchase
- Maximum portion of individual security: 10%
- Maximum portion of a portfolio in a single diversified fund: 20%
- **Prohibited Investments**
 - Unit Trusts
 - Futures
 - Short Sales
 - Purchases on Margin
 - Unregistered securities
 - Private Placement
 - Lettered Stock
- Prohibited investments as outlined by United States Council of Catholic Bishops. These include:
 - Abortion
 - Contraceptives
 - Embryonic Stem Cell Research

SELECTION/RETENTION CRITERIA FOR INVESTMENTS

Investment Management Selection

It is accepted that a majority of active managers may underperform an appropriate passive benchmark over short and long periods of time. If an investment advisor or consultant intends to deviate from benchmark indices, then the onus is on them to explain why the Parish should expect to be rewarded for this risk. Investment managers (including mutual funds, separate account managers) shall be chosen using the following criteria:

- ✓ Past performance, considered relative to other investments having the same investment objective. Consideration shall be given to both performance rankings over various time frames and consistency of performance. It is accepted that strong performance over one period of time may not increase the odds of strong performance over subsequent periods of time.
- ✓ Costs relative to other funds with like objectives and investment styles
- ✓ The manager's adherence to investment style and size objectives
- ✓ Size of the proposed fund
- ✓ Length of time the fund/manager has been in existence and length of time it has been under the direction of the current manager (s) and whether or not there have been material changes in the manager's organization and personnel
- ✓ The historical volatility and downside risk of each proposed investment
- ✓ How well each proposed investment complements other assets in the portfolio
- ✓ The current economic environment

INVESTMENT MONITORING AND CONTROL PROCEDURES

Benchmarks

The following benchmarks will be used to evaluate performance: A blended benchmark will be determined once desired asset allocation is set.

Asset Class

Large Cap US Equities
Mid-Cap Equities
Small Cap Equities
International Equities
Fixed Income

Index

S&P 500
S&P Mid-Cap Index
S&P Small Cap Index
EAFE Index
BC Aggregate Bond Index

PERFORMANCE MONITORING AND EVALUATION

The Investment Committee shall, at each of its regularly scheduled meetings, review investment manager and total Fund performance and make investment and asset allocation decisions. Performance for the fiscal year to date and the trailing one-year, three-year and five-year periods then ended will be presented and reviewed.

The investment performance of each investment manager will be evaluated relative to the performance of a universe of other investment managers with similar investment characteristics as well as agreed upon indices, which fit the style and class of assets being managed. Time-weighted rates of return will be used to measure investment performance thus neutralizing the effect of contributions and withdrawals.

It is accepted that over short periods a manager's performance may fall short of the appropriate benchmark(s). However, it is expected that comparisons will be favorable over a full market cycle, or if shorter, three years.

The following guidelines may be used to consider manager termination:

1. Three-year performance below the 50th percentile of a universe of peers (managers of same style) for three consecutive quarters.
2. Performance for the most recent one-year period in the bottom quartile of the universe of peers.
3. Significant organizational events such as a change in portfolio manager, change in investment style or change in firm ownership, etc.
4. Absence of any extenuating circumstance satisfactory to the Investment Committee to warrant retention.
5. Manager returns not in line with benchmark over a full market cycle, or if shorter, three years.
6. Manager's lack of independence including any conflict of interest.

INVESTMENT COMMITTEE RESPONSIBILITIES

Specific responsibilities of the Investment Committee as they relate to the Pool are:

1. Review and recommend for approval any necessary or desirable amendments, supplements and/or replacements of this Policy which address matters including, but not necessarily limited to, total return, spending policy, asset allocation, risk tolerance and asset allocation objectives.
2. Review investment guidelines relating to permitted investments, spending policy and such other matters as may arise from time to time.
3. Select investment consultants, professional investment managers, bank custodians and other experts as needed.
4. Monitor adherence to this Policy.
5. Evaluate performance of investment managers and investment consultants and make changes if needed.
6. Provide periodic review to Finance Council at their regularly scheduled meetings.
7. Maintain independence and avoid conflict of interest.

DELEGATION OF RESPONSIBILITY

The Investment Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include but are not limited to:

1. *Investment Management Consultants.* The consultant may assist the Investment Committee in: establishing investment policy, objectives and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate. This expert does not have discretion for a potential change in a fund, EFT, money manager, etc
2. *Investment Managers.* The Investment Committee may, subject to the provisions of the investment and spending policies approved by the Finance Council, delegate authority for investment decisions to investment managers. Managers will be held responsible and accountable for achieving the return objectives herein stated. The investment managers have discretion to purchase, sell, or hold the specific securities that will be used to meet the Pool's objectives.
3. *Custodians.* The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities of the Parish, collect dividend and interest payments, redeem maturing securities and effect receipt and delivery following purchases and sales of securities. The custodian may also perform regular accounting of all assets owned, purchased or sold as well as movement of assets into and out of Parish accounts.

4. *Other Specialists.* With the approval of the Finance Council, additional specialists such as attorneys, auditors, and others may be engaged by the Investment Committee to assist in meeting its responsibilities to administer the Parish assets prudently.

In delegating responsibilities and/or authority as described above, the Investment Committee shall be responsible for (a) selecting, continuing or terminating investment managers, consultants, advisors and/or custodians, including assessing their independence and the presence of any conflict of interest they have or may have, (b) establishing the scope and terms of the delegation of authority to the investment managers, consultants, advisors and/or custodians, including the payment of compensation, and (c) monitoring the investment managers', consultants', advisors' and/or custodians' performance and compliance with the scope and terms of the delegation. Each investment management, consulting, advisory or custodial contract entered into with an investment manager, consultant, advisor and/or custodian shall contain a clause, where practical, that the contract may be terminated at any time by the Parish without penalty upon not more than 60 days' prior written notice. This Policy contemplates that certain less liquid investment categories will not allow for such a short period. All expenses for such experts must be appropriate and reasonable.

OTHER GUIDELINES

Proxy Voting

- In general, the investment managers are authorized to vote proxies on the Parishes behalf. In cases where the Investment Committee wants to vote proxies related to specific issues, it will so notify the investment manager(s) in writing. Proxy voting should follow the guidelines as outlined by United States Council of Catholic Bishops.

Securities Lending

Securities lending is not permitted.

ADOPTION

Adopted by the below signed:

Date: _____

Chairman - Investment Committee member's signature:

Investment Committee member's signature:

Investment Committee member's signature:

Investment Committee member's signature:

Investment Committee member's signature:

Investment Committee member's signature:

Investment Committee member's signature:

Investment Committee member's signature:
