

# THE LANCASTER COUNTY COMMUNITY FOUNDATION

## INVESTMENT POLICY STATEMENT

### I. Statement of Purpose

The Board of Directors of The Lancaster County Community Foundation (the "Foundation") has adopted this Investment Policy Statement in recognition of its responsibility to supervise the investment of the Foundation's assets. The purpose of this Policy Statement is to set forth in writing: (1) an appropriate set of objectives and goals to be sought through the investment of the Foundation's assets; (2) the position of the Board of Directors with respect to the Foundation's risk/return posture, including allocation of assets, and establishment of investment guidelines; and (3) an overall system of investment policies and practices whereby the continuing financial obligations of the Foundation will be satisfied.

### II. Statement of Responsibilities

The following parties associated with the Foundation shall discharge their respective responsibilities in accordance with all applicable fiduciary standards including Pennsylvania's Prudent Investor Rule, as follows: (1) in the sole interest of the Foundation's contributors and beneficiaries; (2) with prudence, discretion, intelligence, and regard for the safety of capital as well as income; and (3) by diversifying the investments so as to minimize the risk of large losses.

- A. **Board of Directors:** The members of the Board of Directors are the fiduciaries of the Foundation and are ultimately responsible for the investments of the Foundation.
- B. **Investment Committee:** The members of the Investment Committee have been delegated authority by the Board of Directors to manage the day to day administrative issues associated with the Foundation's assets. They have the authority to make recommendations to the Board of Directors with respect to the implementation of this Investment Policy Statement.
- C. **Investment Manager(s):** The investment manager(s) are delegated the responsibility of investing and managing the Foundation's assets in accordance with this Investment Policy Statement and appropriate allocation schedule, specific written instructions of the Foundation, and all applicable law. Each investment manager must either be (1) registered under the Investment Company Act of 1940, (2) registered under the Investment Advisors Act of 1940, (3) a bank, as defined in that Act, (4) an insurance company qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of the Foundation's assets, or, (5) such other person or organization authorized by applicable law or regulation to function as an investment manager.

### **III. Statement of Spending Policy**

The Foundation is expected to disburse approximately 4 - 5% of endowment principal market value on an annual basis calculated on a 3 – 5 year rolling average. Investment managers will be notified by March 1 of the current year spending policy. In accordance with this disbursement policy, the Investment Committee is committed to: (1) protecting the corpus of the Foundation; (2) preserving the real spending power of the assets; (3) obtaining maximum possible investment return commensurate with reasonable risk and operational considerations; and (4) complying with applicable law.

### **IV. Investment Objectives**

The Investment Objectives for the Foundation will be for the asset value, exclusive of contributions or withdrawals, to grow over the long run and earn, through a combination of investment income and capital appreciation, a rate of return (time-weighted total return net of fees) in excess of the benchmarks established for the medium term (3 years) and long term (5 years).

#### **Medium Term Performance Objectives**

A. The objective of the total fund is to earn a return that exceeds the return of the indexes weighted in accordance with the current target asset allocation.

B. The objective of the large cap equity segment is to earn a return that exceeds the rate of return of the S&P 500 Index as well as the median equity return in a representative large capitalization performance universe.

C. The objective of the mid-cap equity segment is to earn a return that exceeds the rate of return of the S&P MidCap 400 as well as the median equity return in a representative mid capitalization performance universe.

D. The objective of the small cap equity segment is to earn a return that exceeds the rate of return of the Russell 2000 Index as well as the median equity return in a representative small capitalization performance universe.

E. The objective of the international equity segment is to earn a return that exceeds the rate of return of the MSCI EAFE Index as well as the median equity return in a representative international performance universe.

F. The objective of the emerging markets equity segment is to earn a return that exceeds the rate of return of the MSCI EMF Index as well as the median equity return in a representative international performance universe.

F. The objective of the fixed income segment is to earn a return that exceeds the rate of return of the Lehman Brothers Government Corporate Intermediate Bond Index as well as the median fixed income return in a representative intermediate fixed income performance universe.

## **Long Term Performance Objectives**

- A. The objective of the total fund is to earn a minimum return that exceeds the spending policy by 300 basis points. We define this as 8% (net of fees) per annum.
- B. The objective of the total fund is to earn a minimum return that exceeds the rate of return of the indexes weighted in accordance with the target asset allocation.
- C. The objective of the total fund is to earn a return that exceeds the annual change in the Consumer Price Index by 500 basis points.

## **V. Asset Allocation**

The Asset Allocation of the Foundation shall be reviewed at least annually to insure that the Target Allocation is in compliance with the following guidelines. The Investment Manager will rebalance at least quarterly so that the asset class remains within the acceptable range.

### **Quality Guidelines and Investment Restrictions:**

#### **General Security Guidelines & Restrictions**

- Investments in the securities (debt or equity) of any closely held business require prior approval by the Foundation.
- Investments in options and unregistered securities require prior approval by the Foundation.
- Investments in collateralized debt issues, including CMO's, are prohibited.
- Investments in commodities and commodity contracts, short sales and the use of leverage require prior approval by the Foundation.
- Short-term investments in foreign currencies and/or foreign exchange contracts are permitted by any international manager (to the extent the portfolio is invested in securities denominated in that particular currency), for use in settling trades in the portfolio. Hedging is permitted as part of an overall global asset allocation strategy employed by international or global managers within the confines of stated benchmark weightings.
- Speculative investments in foreign currencies and/or foreign exchange contracts are prohibited. This includes hedging beyond the confines of the limitations as expressed by actual portfolio holdings or benchmark weights.
- Investments that do not offer limited liability are prohibited (i.e., no investment shall be made in any vehicle that would put at risk an amount greater than the amount committed to that particular investment).

## Equity Security Guidelines

- Investments in a single company may not exceed five percent (5%) of the aggregate portfolio at market. The Foundation must approve investments in any single industry sector exceeding twenty-five percent (25%) of the aggregate portfolio at market.
- All securities purchased must be fully negotiable and marketable using one of the principal securities exchanges and/or markets (i.e., NYSE, AMEX, or NASDAQ in the United States), except for international equity investments.

## Fixed Income Security Guidelines

- Dollar-weighted average maturity of the portfolio shall not exceed fifteen (15) years and the maximum maturity for any one security is thirty (30) years.
- Securities guaranteed by the U.S. Government and pre-refunded municipal bonds escrowed to maturity with securities guaranteed by the full faith of the U.S. Government are exempt from concentration limits. All other securities are limited to ten percent (10%) of the portfolio value per issuer at the time of purchase.
- Minimum long-term credit ratings, at the time of purchase, must be Baa or BBB or their long-term equivalents. Minimum short-term credit ratings are A-1 or P-1. When investing in insured municipal bonds, the minimum underlying credit rating of the issuer shall be Baa or BBB, or their long-term equivalents. No minimum credit rating is required for pre-refunded municipal bonds escrowed to maturity.

## VI. Investment Guidelines

It is the intention of the Investment Committee to allow each investment manager full investment discretion within the scope of these investment guidelines, the applicable Investment Manager Agreement, and any laws that supersedes either of these documents.

**Liquidity:** The Foundation staff will monitor the Foundation's cash flow on a regular basis, and sufficient liquidity shall be maintained to fulfill the spending objectives and operational costs of the Foundation. When withdrawals become necessary, the Foundation staff will notify the investment manager(s) as far in advance as possible to allow them sufficient time to acquire the necessary liquid reserves.

**Proxy Voting:** The investment manager(s) shall have the sole and exclusive right to vote any and all proxies solicited in connection with the securities held by the Foundation, unless otherwise notified in writing. Upon request the investment manager(s) shall furnish the Investment Committee with a written proxy voting policy statement, and shall keep records with respect to its voting decisions.

**Trading and Execution:** The investment manager(s) shall use their best efforts to obtain execution of orders through responsible brokerage firms at the most favorable prices and competitive commission rates.

## **VII. Investment Performance Review and Evaluation**

A. The Investment Committee will review the investment results of the investment manager(s) at least annually. Performance comparisons will be made against a representative performance universe and the performance objectives set forth in this policy statement.

B. The Investment Committee shall periodically review the qualitative developments of each investment manager. This evaluation should include changes in ownership, personnel turnover, adherence to investment style and philosophy, and any other qualities that the Investment Committee deems appropriate. This review should also include an assessment as to whether each investment manager has operated within the scope of this Investment Policy Statement.

C. The investment manager(s) will meet with the Investment Committee at least annually or more frequently if the circumstances dictate.

D. The investment manager(s) must disclose all major changes in organization or investment philosophy and strategy to the Investment Committee members within 30 days. Further, upon request all registered investment advisors must present updated ADV-2 forms on an annual basis to the Investment Committee.

## **VIII. Policy Changes**

Any violation of the investment guidelines or other sections of this Investment Policy Statement discovered in the preparation of its regular performance review shall be reviewed immediately by the Investment Committee and discussed at their next regularly scheduled meeting.

## **IX. Review and Revisions**

The Board of Directors reserves the right to amend the Investment Policy Statement at any time they deem such amendment to be necessary, or to comply with changes in federal law as these changes affect the investment of the Foundation's assets.

**THE LANCASTER COUNTY COMMUNITY FOUNDATION**

**INVESTMENT POLICY STATEMENT**

**Corporate Pool Allocation**

<b>Target</b>	<b>Acceptable Range</b>
36.5% Invested in Domestic Stocks	45 – 55 %
26.5 % Large Cap Equity	30 – 40 %
6 % Mid Cap Equity	4 – 8 %
4 % Small Cap Equity	2 – 6 %
15 % Invested in International Stocks	12 – 18 %
10 % International Fund	7 – 13 %
5 % Emerging Markets Fund	3 – 7%
13.5% Alternative Investments	11.5 – 15.5%
35 % in Fixed Income	30 – 40 %

**THE LANCASTER COUNTY COMMUNITY FOUNDATION**

**INVESTMENT POLICY STATEMENT**

**Allocation A**

<b>Target</b>	<b>Acceptable Range</b>
50% Invested in Domestic Stocks	45 – 55 %
40 % Large Cap Equity	35 – 45 %
6 % Mid Cap Equity	4 – 8 %
4 % Small Cap Equity	2 – 6 %
15 % Invested in International Stocks	12 – 18 %
10 % International Fund	7 – 13 %
5 % Emerging Markets Fund	3 – 7%
35 % in Fixed Income	30 – 40 %