



## **Investment Policy**

The goal of the Investment Program is to achieve a total rate of return that will allow the Foundation to respond to today's needs and the long-term growth necessary to respond to future needs. Achieving this goal involves the careful management of permanent and nonpermanent funds to sustain an effective grantmaking program. The investment strategies for permanent and nonpermanent funds are distinct because the Foundation and its donors seek to achieve different distribution goals with each class of funds.

### **Permanent Funds**

Permanent funds exist to provide a perpetual resource for charitable purposes and should be invested accordingly. The investment objective of permanent funds is to retain (at a minimum) and when possible increase the purchasing power of the funds, while at the same time producing a reasonable return for distribution to meet current community needs. Each person who has responsibility for managing and investing Foundation funds shall manage and invest the funds in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

To meet this investment objective for permanent funds, the Foundation follows a total-return strategy; that is to say, investment decisions are made with the intent of maximizing the long-term total return of the portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). Foundation assets are invested in a mixture of equities, fixed-income instruments, alternative investment classes such as hedge funds, distressed debt, and private investments, and cash.

The Foundation obtains the services of investment managers with proven records of performance, both in domestic and international markets, in equity management, fixed-income management, and/or mixed-asset management. Managers with responsibility for equity management will have demonstrated skill managing assets within, but not necessarily including all of, the following styles: core (including index funds), growth, value, small capitalization, and non-U.S. equities. Investments in alternative investment classes will be made through direct investment programs and funds of funds.

Each year the board sets an annual payout rate for the coming year based on the Investment Committee's 10-year projection of investment return. Currently, if the projected

10-year return is 9% or above, the payout will be 5%; if the projected 10-year return is below 9%, the payout will be 4 ½%. Payout will be calculated using a 13-quarter trailing average of fund market value. New permanent funds added to the Foundation shall be invested for a minimum of six months before being included in the valuation for distribution.

### Nonpermanent Funds

The investment objective of nonpermanent funds, that is funds wholly expendable over a specified period, is to preserve capital and, if possible, purchasing power over the life of the fund.

The policy to meet this objective for nonpermanent funds is to invest the assets of individual funds in a mixture of cash, bonds, and stocks that will produce a reasonable return over a reasonable period, consistent with the payout schedule and program objective of the fund.

### Investment Committee

The Investment Committee is responsible for oversight of the Foundation's investments and investment managers. The Committee will have access to one or more investment consultants in executing this oversight. The Committee makes quarterly recommendations and reports to the Board of Directors on investment matters, including the acquisition, disposition, administration, and management of Foundation investments, and the performance of the investment managers. The committee is composed of at least four independent financial advisors, the Chair, and the Treasurer, and may include one or more other directors of the Foundation.

*August 6, 2008*