



## **Investment Policy Statement | YMCA Endowment Fund YMCA OF PIERCE AND KITSAP COUNTIES**

### **PURPOSE AND OBJECTIVES**

The purpose of the YMCA Endowment Fund ("Fund") is to encourage gifts that further advance the mission of the YMCA of Pierce and Kitsap Counties ("the Y") with the intent to provide organizational sustainability through varying economic cycles.

The purpose of this Investment Policy Statement ("IPS") is to assist the YMCA Endowment Investment Committee ("the Committee") in effectively selecting and monitoring the investment options of the Fund, solely in the best interests of the mission of the Y and in accordance with all fiduciary standards and applicable laws and regulations. This IPS shall carry out its above-stated purpose by:

1. Stating in a written document the Committee's objectives, and guidelines for the investment of the Fund's assets;
2. Establishing the characteristics of offered investment options;
3. Providing rate-of-return and risk characteristics for each asset class represented by various investment options; and
4. Establishing criteria and procedures for selecting, monitoring, evaluating, and, if appropriate, replacing investment options.

This IPS has been developed based upon the Committee's consideration of the financial implications of a wide range of policies, and describes the prudent investment process that the Committee deems appropriate in light of the stated Fund purpose. This process includes offering various asset classes and investment management styles that, in total, are expected to offer the Fund a sufficient level of overall diversification and total investment return over the long term.

This IPS applies for the lineup of investment options that are designated investment alternatives selected by the Committee for investing Fund assets. The Committee nonetheless has an ongoing duty to monitor all investments prudently and in the best interests of the Fund.

### **DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

As a fiduciary under the plan, the primary duties and responsibilities of the Committee are to:

1. Prepare, maintain, and periodically review this IPS.
2. Provide investment options covering sufficient asset classes with different and distinct risk/return profiles so that the Fund can be prudently diversified.
3. Prudently select, monitor, and, as appropriate, update Fund's lineup of investment options based on the guidelines of this IPS.
4. Control and account for all investment, recordkeeping, and administrative fees and expenses paid from the Fund.
5. Monitor and supervise all Fund service providers.

6. Avoid any actual or perceived conflicts of interest.
7. Carry out all duties and responsibilities solely in the best interests of the Fund.

### **FIDUCIARY RESPONSIBILITIES OF COMMITTEE MEMBERS**

1. Duty to use the appropriate standard of care: this duty requires that assets entrusted to the Committee be invested and managed with reasonable care, skill, prudence, and diligence under circumstances then prevailing which a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an activity of like character and purpose. Committee members shall consider investments not in isolation, but in the context of the Fund as a whole and as part of an overall investment strategy, incorporating risk and return objectives.
2. Duty of loyalty: Committee members may not use their position for personal gain or self-dealing, or when motivated by conflicts of interest that are adverse to the purpose of the Fund, the mission of the Y, the IPS, or the long-term performance of the Fund. Committee members may not receive financial benefit from their positions as trustees or fiduciaries.
3. Duty to diversify: this duty is to minimize the risk of large losses, and establishes a duty to diversify unless, because of special circumstances, the Committee reasonably determines that the purposes of the Fund are better served without diversifying.

### **CUSTODIAN/ADVISOR RESPONSIBILITIES**

Custodians are responsible for the safekeeping of the Fund's assets. The specific duties and responsibilities of the Custodian are as follows:

1. Maintain portfolio by legal registration.
2. Value the holdings.
3. Collect all income and dividends owed to the Fund.
4. Settle all transactions (buy-sell orders).
5. Provide periodic reports that detail transactions, cash flows, value of funds held, and change in value of each fund, and in the Fund overall, since the previous report.

### **ASSET CLASS GUIDELINES**

Long-term investment performance, in large part, is a function of asset class mix.

Historically, while interest-generating investments, such as bonds, have the advantage of relative stability of principal value, these investments provide little opportunity for real long-term capital growth due to susceptibility to inflation. On the other hand, equity investments, such as common stocks, clearly have a significantly higher expected return, but have the disadvantage of much greater year-by-year variability of return. From an investment decision-making point of view, this year-by-year variability is worth accepting given the long-term nature of the Fund. Additional strategies or asset classes may be considered if appropriate, including private placement offerings, alternative investments, and individual equity and debt instruments.

The Committee has reviewed the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards of the different classes, and on diversification throughout the Fund's investment options.

## **IMPLEMENTATION**

The Committee will apply due diligence criteria in evaluating investment options as follows:

1. Regulatory oversight: each investment option should be managed by: (a) a bank or trust company; (b) an insurance company; (c) a registered investment company (mutual fund); or (d) a registered investment advisor.
2. Correlation to style or peer group: the investment option should be highly correlated to the asset class assigned. This is one of the most critical parts of the analysis, as the majority of the remaining due diligence involves comparisons of the investment option to the appropriate peer group.
3. Performance relative to peer group: the investment option's performance should be evaluated against the respective peer group.
4. Performance relative to assumed risk: the investment option's risk-adjusted performance should be evaluated against the respective peer group.
5. Minimum track record: the investment option should have sufficient history so that performance statistics can be properly calculated.
6. Expense ratios/fees: the investment fees should be fair and reasonable.
7. Stability of the organization: there should be no perceived organizational problems.
8. Quorum: all investment decisions shall be made by a quorum of members present; a quorum shall be defined as two thirds of all members of the current committee who are present in person or by electronic or telephonic means.
9. Voting threshold: each investment decision made by a quorum of members shall be decided by a two thirds majority of all members present.

## **MONITORING**

The Committee acknowledges that fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the Committee intends to evaluate investment performance from a long-term perspective. The Committee is aware that the ongoing review and analysis of the investment options is just as important as the initial due diligence process. The performance of the investment options will be monitored on an ongoing basis, and it is at the Committee's discretion to take corrective action by replacing an investment option if it is deemed appropriate at any time.

On a timely basis, but not less than annually, the Committee will review whether each investment option conforms to the criteria outlined in the Implementation section, specifically:

1. The investment option's adherence to investment guidelines, such as, but not limited to, investment performance and expenses/fees relative to the appropriate peer group;
2. Material changes in the investment option's organization, investment philosophy and/or personnel; and
3. Any legal, SEC, and/or other regulatory agency proceedings affecting the investment option's organization.

## BENCHMARKS

The Committee has determined it is in the best interest of the Plan Participants that performance objectives are established. For purposes of quarterly and annual review of the Fund's performance, the following indices will serve as benchmarks for comparison:

1. Russell 3000
2. S&P 500: indicator of the U.S. stock market as a whole, based on a basket of 500 widely held stocks listed on the New York Stock Exchange.
3. Bloomberg Barclays U.S. Aggregate Bond Index: indicator of the U.S. bond market, which includes treasury securities, government agency bonds, mortgage-backed bonds, corporate bonds, and a small amount of foreign bonds traded in the United States.
4. MSCI ACWI Index: the MSCI ACWI is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is maintained by Morgan Stanley Capital International (MSCI) and is comprised of stocks from 23 developed countries and 26 emerging markets. It covers more than 3,000 constituents across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market.

The following indices have been selected as benchmarks for evaluating the performance of investment options offered within the Fund. Performance will be evaluated in terms of an appropriate market index (e.g., the Russell 1000 Value index for the large cap value fund), and the relevant peer group (e.g., the large value mutual fund universe for the large cap value fund).

Asset Class	Index	Peer Group Mutual Funds
<b>MONEY MARKET</b>		
Stable Value	Citi-Group 3 Month T-Bill	NA
<b>FIXED INCOME</b>		
Intermediate Bond	Bloomberg Barclays Agg Bond	Intermediate Term Bond
<b>LARGE CAP EQUITY</b>		
Large Blend	Russell 1000	Large Blend
Large Value	Russell 1000 Value	Large Value
Large Growth	Russell 1000 Growth	Large Growth
<b>MID CAP EQUITY</b>		
Mid Value	Russell Midcap Value	Mid Value
Mid Growth	Russell Midcap Growth	Mid Growth
<b>SMALL CAP</b>		
Small Cap Core	Russell 2000 Index	Small Blend
Small Value	Russell 2000 Value	Small Value
Small Growth	Russell 2000 Growth	Small Growth
<b>INTERNATIONAL EQUITY – DIVERSIFIED</b>		
International Equity	MSCI ACWI Index	International Equity
<b>OTHER</b>		
Asset Allocation Funds	NA	NA

## **WATCH LIST PROCEDURES**

An investment option may be placed on a watch list, and a thorough review and analysis of the investment option may be conducted including, but not limited to, issues related to any of the following:

1. Performance: fund versus both the primary and stylized benchmark. Performance is an important measure of manager skill and ability to meet their performance objectives; however, it is critical that the committee assess and understand performance in the context of the market environment, the manager's investment process, and their portfolio biases.
2. Organization: includes personnel, ownership, manager/subadvisor changes.
3. Legal issues: any ongoing litigation, settlements, or disciplinary actions that have occurred, or are expected.
4. Investment policy: changes in the mandate of the fund, including the strategy or benchmark, as well as changes in general operations of the fund.
5. Consistent style: based on returns-based style analysis, any issues with the style of the fund being inconsistent, or drifting across asset classes.
6. Expense: the competitiveness of fees as compared to the peer group average.

The decision to retain or terminate an investment option should not be based upon a mere formula. It is the Committee's confidence in the investment option's ability to perform in the future that ultimately determines the retention of an investment option.

## **REVIEW OF THE IPS**

The Committee will review the IPS from time to time to determine if the stated investment objectives are still relevant, and the continued feasibility of achieving the objectives. It is not expected that the IPS will change frequently; in particular, short-term changes in the financial markets should not require adjustments to the IPS. The effective date of this IPS is July 21, 2020.

Approved:

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Anthony Panagiotu, Committee Chair

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Skylar Houk, Committee Member

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Teresa Bryant, Committee Member

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Dennis Jensen, Committee Member

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Ian Hartley, Committee Member

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Chris Zocco, Committee Member

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Steve Hibbs, Committee Member