

## **Investment Policy & Investment Guidelines**

July 1, 2015 (Including amendments through July 1, 2018)



## Investment Policy Statement

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### **1. Investment Objectives**

Within the bounds of prudent risk management as defined by the Policy Asset Allocation and asset class ranges, the YMCA Retirement Fund (the “Fund”) seeks to generate attractive long term returns sufficient to allow the Fund’s portfolio to meet or exceed its long term liabilities and commitments. The following are the key investment objectives of the Fund’s portfolio:

- Compound positive returns over longer term horizon while avoiding large draw-downs
- Generate absolute returns sufficient to deliver minimum plan benefits or greater
- Pursue rigorous portfolio risk management
- Mitigate the risk of the Funding Level falling below 65%
- Pursue 100% Funding Level over the long-term
- Maintain adequate liquidity to meet benefit payments and capture market dislocations

### **2. Liquidity**

The portfolio will be managed to provide sufficient liquidity to fund promised benefits, operational expenses and capital calls, and to make new investments.

### **3. Responsibilities & Legal**

#### **Board and Investment Committee Responsibilities and Delegation**

The Board has the responsibility to oversee and approve the investment of Fund assets and may delegate its responsibilities to the Investment Committee. The Fund’s Board has delegated investment functions to the Investment Committee, including without limitation, the power to further delegate investment functions to Management, as provided under the Fund’s Bylaws and resolutions. Notwithstanding the foregoing sentence, the Board has retained authority to determine the Fund’s Policy Asset Allocation specified in Section 5.

The Investment Committee has the following responsibilities:

- Approve an Investment Policy Statement and monitor compliance with such Policy.
- Delegate investment functions to Management of the Fund.

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- Approve investments beyond the scope of the authority delegated to Management as detailed in the “*Investment Policy Administrative Procedures*” or which require additional consideration as determined by Management.
- Monitor Management’s execution and compliance with the scope and terms of its delegated authority.
- Provide guidance on timely strategic investment topics.
- Monitor investment manager/strategy performance.

### **Management Responsibilities**

- Prudently manage all assets in accordance with applicable provisions of federal pension and tax laws.
- Rebalance the portfolio as described in the section “Policy Asset Allocation.”
- Monitor the activity and performance of all investment managers and products.
- Provide reports on results and investment recommendations to the Investment Committee.
- With at least one day’s notice to the Investment Committee, terminate investment managers.
- Reallocate funds to or from existing managers in the course of normal portfolio management and rebalancing.
- Invest the Fund’s assets within the parameters established by the Investment Committee in the Investment Policy Statement and the “*Investment Policy Administrative Procedures*.”

### **Prudent Person Standard**

The Investment Committee and members of Management responsible for investments shall act prudently in all investments under the “prudent person” standard. As fiduciaries, they shall discharge their duties:

- Solely in the interest of the participants and beneficiaries, without subordinating the economic interest of participants and beneficiaries in their retirement income to unrelated social objectives
- With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims
- By diversifying the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so
- In accordance with governing Fund documents and applicable law

Pursuant to the New York Prudent Management of Institutional Funds Act, the following are listed as factors the Investment Committee and members of Management shall consider, if relevant, in managing and investing the Fund’s portfolio:

- General economic conditions
- The possible effect of inflation or deflation
- The expected tax consequences, if any, of investment decisions or strategies

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- The role that each investment or course of action plays within the overall investment portfolio of the Fund
- The expected total return from income and the appreciation of investments
- The needs of the Fund to make distributions and to preserve capital
- An asset's special relationship or special value, if any, to the purpose of the Fund

Decisions made by the Investment Committee in managing and investing the Fund's portfolio are additionally required by the Act to be documented.

The standard of care for investment managers shall be the "Prudent Person" standard and they shall acknowledge in writing that they are a fiduciary.

### **4. Asset Class Definitions**

#### **Public Equity**

The Public Equity portfolio will be segmented into three sub-asset classes: U.S. Equities; Developed Markets ex-US; and Emerging Markets. The Public Equity portfolio will consist primarily of investment managers and direct holdings in shares of publicly traded equity securities.

#### **Fixed Income**

The Fixed Income portfolio will consist primarily of investment managers and direct holdings in fixed income and related securities or derivatives, and will be segmented into two sub-asset classes: Rates and Credit.

#### **Cash & Equivalents**

The Cash Portfolio will typically hold bank deposits, money market funds, short-term T-bills and similar instruments, either in separate accounts or commingled funds with daily liquidity.

#### **Real Estate**

The Real Estate portfolio will invest through managers or directly in real estate properties or securities.

#### **Natural Resources**

The Natural Resources portfolio will hold internally and externally managed commodities and commodity-related derivatives and securities, including public and private debt and equity investments in commodity producers and commodity-producing assets.

#### **Private Equity**

The Private Equity portfolio is invested in managers and direct investments in equity and equity-related instruments diversified across the following types of financing: buyouts; growth capital; venture capital; and other non-traded investments.

#### **Hedge Funds**

The Hedge Fund portfolio may include vehicles that utilize a wide range of investments, trading strategies and securities. The Hedge Fund portfolio may seek exposure to risk factors not easily accessed through other asset classes.

### **5. Policy Asset Allocation**

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	Policy Allocation	Max. Deviation/Range
U.S. Equities	19.0%	±6.0%
Int'l Development Markets Equities Ex.-U.S. Equities	12.0%	±6.0%
Int'l Emerging Markets Equities	10.0%	±4.0%
Private Equity	12.0%	±6.0%
Natural Resources	5.0%	±2.0%
Real Estate	4.0%	±2.0%
Credit	6.0%	±4.0%
Directional Strategies	8.0%	±3.0%
Diversifying Strategies	13.0%	±3.0%
Rates	9.0%	5-15%
Cash & Equivalents	2.0%	0-6%
<b>Total</b>	<b>100.0%</b>	

Compliance with the Policy Allocation will be evaluated based upon an exposure look-through analysis. Management may request approval from the Investment Committee to remain outside the range for a period of time.

### **6. Aggregate Portfolio Measures**

Management will provide a report showing key risks and metrics of the total Fund, as compared to reporting limits approved by the Investment Committee. This would occur at least quarterly and could include metrics such as: Leverage; Liquidity; Concentration; Derivatives; Non-U.S. assets exposure; Emerging Markets assets exposure; Non-U.S. Dollar exposure; and Scenario analyses. A form of the report, including the limits approved by the Investment Committee is included in the “*Investment Policy Administrative Procedures.*”

### **7. Benchmarking**

The Fund’s composite benchmark will be a weighted blend of the asset class benchmarks below.

	Benchmark	Weight
<b>Public Equity</b>		
<b>U.S. Equities</b>	<b>Russell 3000</b>	<b>19.0%</b>
<b>International Equities</b>		

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<i>Developed Markets</i>	MSCI World ex-U.S.	12.0%
<i>Emerging Markets</i>	MSCI Emerging Markets	10.0%
<b>Cash &amp; Equivalents</b>	<b>90 Day T-Bills</b>	<b>2.0%</b>
<b>Fixed Income</b>		<b>15.0%</b>
<i>Rates</i>	Barclays U.S. Intermed. Gov't	9.0%
<i>Credit</i>	50% Barclays Corp. High Yield 50% CS Leveraged Loan	6.0%
<b>Alternative Assets</b>		
<i>Diversifying Hedge Funds</i>	Equal Weighting of: HFRI Macro Index; HFRI Relative Value Arbitrage Index; HFRI Equity Market Neutral Index; Barclays CTA Index	13.0%
<i>Directional Hedge Funds</i>	HFRI Equity Hedge Index	8.0%
<i>Private Equity</i>	Cambridge Vintage Year	12.0%
<i>Real Estate</i>	Cambridge Vintage Year/NAREIT	4.0%
<i>Natural Resources</i>	Blend of C A Vintage Year, MSCI World Natural Resources Index and DJ/UBS Commodities Index	5.0%
<b>Total</b>		<b>100.0%</b>

To reflect the Fund's long-term investment strategy, benchmark comparisons will typically be over longer periods such as one-, three-, and five-years and longer.

### **8. Other Policy Matters**

#### **Management Authority**

Management may approve investment managers of: "Liquid Assets" up to \$120 million per commitment; "Semi-liquid Assets" up to \$90 million per commitment; and "Illiquid Assets" up to \$60 million per commitment; provided that the resulting exposures are within the ranges specified in the Policy Asset Allocation in Section 5 above. Additional details regarding the Investment Committee's delegation of authority to Management, including a description of these asset types and the procedures Management shall follow when executing an investment pursuant to such authority, are included in the "*Investment Policy Administrative Procedures*."

In the event that Management believes it is necessary and appropriate under the circumstances to exceed the foregoing approved ranges, Management is permitted to exceed such ranges by up to 20% provided that the Investment Committee is given at least 24 hours' notice.

In addition, Management may buy, sell, and sell short "Index Funds" of "Approved Indices" outside the approved ranges, provided that the resulting exposures are within the ranges

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specified in the Policy Asset Allocation in Section 5 above. Additional details regarding this authority, including a list of “Approved Indices” are included in the “*Investment Policy Administrative Procedures.*”

### **Cash Equitization**

Unless otherwise authorized by the Investment Committee, cash held by investment managers will be “equitized” (invested in futures of a comparable asset class), although this practice will be secondary to Management’s ongoing rebalancing efforts.

### **General**

This Investment Policy Statement is intended to facilitate communication between Management and the Investment Committee. Management shall have full discretion within the constraints of this Investment Policy Statement.

If at any time Management feels that the investment goals and objectives cannot be met, or that the Investment Policy Statement restricts performance, the Investment Committee is to be notified. Management is encouraged to suggest changes to the Investment Policy Statement at any time. The Investment Policy Statement will be reviewed at least annually.