

# **Copper Shores Community Health Foundation**

## **Investment Policy Statement**

**June 2024**



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**INTRODUCTION AND PURPOSE**

The intent of this Investment Policy Statement ("IPS") is to articulate an investment strategy with specific parameters that reflect the philosophy of the Board of Directors (the "Board"), of Copper Shores Community Health Foundation (CSCHF), thereby providing the Board and the Finance and Investment Committee ("FIC") of the Board with clearly defined policies and objectives. Although these policies and objectives are intended to govern investment activity, they are intended to be sufficiently flexible and practical.

**INVESTMENT PHILOSOPHY STATEMENT**

The following statements represent the investment principles and philosophy governing the investment of CSCHF's assets designated by the Board for investment purposes (the "General Fund"). These statements describe the core values and beliefs that form the basis for the investment of the General Fund.

These commonly held fundamental investment beliefs are:

1. The single most important decision that the Board makes is the long-term asset allocation decision, particularly between Equities and Fixed Income. As a result, nearly all of the absolute levels of investment returns are attributable to the Board's decisions regarding asset allocation, not manager implementation.
2. The capital markets are mean-reverting by nature. The Board will therefore use long-term strategic asset class allocation and rebalance to those allocations within suitable and established ranges.
3. That the achievement of long-term investment goals is derived directly from sound investment strategy decisions and efficient and consistent implementation of strategic ranges and target asset allocations established in this IPS. Ad-hoc asset allocation or manager allocation changes (usually in reaction to recent market underperformance) are likely to result in poor outcomes that will impair the long-term performance of the funds. As a result, unless the underlying long-term goals and objectives change, the Board shall seek to avoid re-allocations outside the ranges established in this IPS in reaction to recent market conditions.
4. CSCHF's long-term investment goals require the investment strategy be based on using a combination of asset classes (and sub-asset classes) that have a reasonable probability of achieving those goals. Asset allocation studies shall be conducted on a regular basis.
5. Market timing is ineffective as a market strategy for an entire portfolio. Opportunistic/Tactical funds may be used at times, but the overall intent of the Board is to remain fully invested in all long-term allocation ranges.

6. Some asset classes are inefficient and active managers can clearly add value. Other asset classes, most notably domestic large-cap core equities, are more efficient. The Board may choose to allocate assets between active and indexed managers, based on its ability to identify active managers that can add value net of fees and expenses.
7. It is necessary to use long time frames and appropriate benchmarks to fairly evaluate active manager performance. Active managers are, by definition, different from managers who seek to replicate an index. Differences in active managers' styles (growth, value, and core), investment philosophies (quantitative, fundamental), and market capitalizations will have multi-year cycles. In addition, active managers may be hired specifically to employ risk characteristics that differ from popular indices as a means of further diversification. As a result, even the best performing active managers will have periods of both under- and out-performance relative to the appropriate indices. In establishing individual manager investment objectives and in evaluating manager performance:
  - a. The Board will use long time frames (generally rolling 3, 4 or 5-year periods),
  - b. The Board will set appropriate investment objectives using relevant style and capitalization benchmarks,
  - c. The Board will evaluate managers not only on returns, but on risk as well.
8. Investment implementation should be cost and resource effective. New and current assets classes, managers, and strategies will be evaluated from a cost versus incremental benefit to the General Fund in terms of overall risk and returns.

## **DELEGATION OF RESPONSIBILITIES**

The Board is responsible for the overall stewardship of CSCHF. As such, items relating to this IPS and overall investment management may or may not become part of the regular Consent Agenda at scheduled Board Meetings. The Board reserves the right to engage other fiduciaries (investment managers, investment consultants) to assist with the required oversight of the General Fund. The Board has chosen to delegate the Foundation's investment activities through the establishment of a Finance and Investment Committee ("FIC"). As such, the FIC has the responsibility to ensure the General Fund is managed in a manner consistent with this IPS, generally recognized fiduciary standards and with the policies and objectives set forth and ratified by the Board. In so doing, the Board will comply with all applicable laws of the State of Michigan as well as the Michigan Uniform Prudent Management of Institutional Funds Act (MIUPMIFA).

All Board members shall act as fiduciaries and, as such, are required to discharge their duties solely in the best interest of CSCHF. The FIC, with Board approval, is authorized to engage the services of Investment Managers who possess the necessary specialized research capabilities and skill to meet the investment objectives and guidelines of CSCHF. All Investment Managers must adhere to any policies adopted by the Board.

## **RESPONSIBILITIES OF THE FINANCE AND INVESTMENT COMMITTEE (FIC):**

1. To develop investment objectives consistent with the financial needs of CSCHF, and to develop the policy asset allocation to meet those objectives;
2. To recommend to the Board, selection, retention, and termination of all investment



managers, custodians, consultants;

3. To consider, revise and accept, or reject recommendations made by investment consultants;
4. To meet regularly to review and evaluate investment results in the context of performance standards, and implement corrective action as needed with Board approval, using reports and recommendations provided by outside objective professionals, including investment consultants;
5. To recommend Spending Rate guidelines;
6. To avoid conflicts of interest;
7. To review and determine the acceptability of all assets gifted, or otherwise transferred by Will, Trust, Deed or beneficiary designation to the CSCHF, understanding that, until a review is conducted, a determination made, and a proper disposition effected, such assets shall be considered permissible exceptions to this IPS.

## **RESPONSIBILITIES OF THE INVESTMENT CONSULTANT**

The Investment Consultant ("Consultant") is expected to be proactive in recommending changes in the investment strategy, asset allocation, and investment managers, as situations warrant. The Consultant shall also have the following responsibilities, but is not limited thereto:

1. Serving as a consultant to the FIC and the Board. As such, the Consultant shall make recommendations to the FIC and the Board but shall not have discretion to make investment or allocation decisions without the approval of the FIC;
2. Assisting in the development, implementation, and monitoring of the IPS and asset allocation guidelines;
3. To communicate investment policies and objectives to the Investment Managers, and monitor adherence and reporting violations;
4. Conducting Investment Manager research, analysis and searches upon request by the FIC and/or the Board;
5. To measure, monitor, and evaluate the investment performance and asset allocation of the General Fund and provide reports and participate in meetings while sufficiently detailing investment results to the FIC and the Board on a regular and timely basis.
6. To control and account for all investment related expenses associated with the General Fund.

## **RESPONSIBILITIES OF THE INVESTMENT MANAGER(S)**

Investment Managers are expected to pursue their own investment strategies within the guidelines created for the manager. Coordination of the guidelines for the individual managers is designed to

assure that the combined efforts of the managers will be consistent with this IPS. Each Investment Manager shall:

1. Manage the Investment Assets under its supervision in accordance with the guidelines, goals and objectives outlined in this IPS or, where appropriate, the prospectus, offering memorandum, investment agreement, contract and/or other related documents
2. Communicate with the Investment Consultant regarding all significant matters, including but not limited to: changes in its ownership, organizational structure, professional staffing, investment philosophy or investment process and other changes of a substantive nature;
3. Comply with all legislation and regulations as they pertain to the Investment Manager's duties, functions and responsibilities as a Fiduciary in managing the Investment Assets;
4. Provide statements not less than quarterly, and as otherwise requested, setting forth all account activity and the financial position the Investment Assets under its supervision;
5. Vote all proxies and related actions in a manner consistent with the long-term interest of CSCHF;
6. Provide expanded analyses and information to the Investment Consultant and/or the FIC and the Board upon request.

## **RESPONSIBILITIES OF THE CUSTODIAN(S)**

Be responsible for the safekeeping of the Investment Assets. Duties include, but are not limited to:

1. Maintaining separate accounts by legal registration;
2. Valuing the holdings;
3. Collecting all income and dividends;
4. Settling all transactions initiated by the Investment Managers;
5. Providing monthly reports that detail transactions, cash flows, securities held and their current value inclusive of accruals, and change in value of each security and the overall portfolio since the previous report;
6. Timely processing of all instructions from the PHF's authorized staff.

## **INVESTMENT OBJECTIVES AND CONSTRAINTS**

**Objectives:** Copper Shores Community Health Foundation

1. Return: The long-term objective of CSCHF is for its portfolio of invested assets (the "General Fund") to earn a net annualized return of 8.0%. Presently, this return is deemed sufficient to preserve the purchasing power of CSCHF, as well as provide for current needs

and growth.. The annual net return objective should at least equal the annual Spending Rate (sum of distributions and administration costs), inflation, over rolling a 16 quarter period and inflation. The General Fund relies upon a "total return" investment approach.

2. Risk: The Board will permit the General Fund to experience an overall risk level consistent with the risk generally associated with the Board's policy asset allocation.

#### **Constraints:**

1. Liquidity: The General Fund must offer sufficient liquidity to meet the Spending Rate of CSCHF.
2. Time Horizon: CSCHF is expected to be perpetual and should be managed with a time horizon much longer than a normal investment cycle for individuals. A Time Horizon of 30 to 50 years is appropriate ("Time Horizon"). Providing for CSCHF needs over the Time Horizon is a high priority.

#### **Return Measurement Objectives:**

The investment objectives of CSCHF are based upon a long-term investment horizon allowing interim fluctuations to be viewed in an appropriate perspective. While there cannot be complete assurance the defined objectives will be realized, it is believed the likelihood is enhanced by this IPS.

Over time, CSCHF strives to achieve the return goal for the General Fund while maintaining acceptable risk levels. To accomplish this goal, the investments may be diversified among several asset classes, investment managers, and investment styles.

All return objectives and goals described are understood to be net (after) investment management expenses.

1. The General Fund should attempt to return, over the Time Horizon, an annualized nominal rate of return greater than or equal to 8.00%
2. To maintain purchasing power and grow assets, the real return of the components of the return needed be measured as follows:

<b>Spending Rate:</b>	<b>4%</b>
<b>Inflation Rate:</b>	<b>3%</b>
<b>Growth Rate:</b>	<b>1%</b>
<b><u>Total Long-term Objective</u></b>	<b><u>8%</u></b>

3. The General Fund should attempt to return, over rolling 16-quarter periods, a nominal return greater than or equal to a composite index created by combining various indices (**Table B**) in the same proportion as the General Fund's target allocation (described in the Asset Allocation section).

4. The Investment manager(s) should attempt to return, over rolling 16-quarter periods, a nominal rate of return greater than or equal to the appropriate market index for that manager (**Table B**), the peer group, or both with generally the same risk parameters.

### **Spending Rate**

The Board acknowledges that a proper spending policy strikes a balance between current needs, and preservation and enhancement of capital for future support of CSCHF. Thus, in balancing these conflicting issues, the Board believes that the distribution rate described below is both proper and prudent.

During a normal capital market and operating environment, the annual distribution amount of **4.00%** will be determined using a 4-Year moving average which shall be calculated using the average of trailing 16 quarter-end General Fund portfolio closing market values as of **September 30**" of the current calendar year; "average" is total sum of 16 most recent quarter-end General Fund portfolio market values divided by 16.

However, during abnormal capital market environments or operating circumstances, years of extraordinary market performance; or in the event of major catastrophe, the Board may override the formula and prudently apply a different distribution amount.

### **ASSET ALLOCATION AND INVESTMENT GUIDELINES**

The single most important decision made by the FIC and Board is the Policy Asset Allocation decision. Investment research has determined a significant portion of a portfolio's investment behavior can be attributed to asset classes and styles used and the weightings in each asset class and style.

It is the responsibility of the FIC and Board to identify the Policy Asset Allocation that may offer the highest probability of achieving CSCHF's investment objectives. The FIC and Board, shall review the asset mix on an ongoing basis and recommend revisions as necessary.

The Policy Asset Allocation of the General Fund, as presented in **Appendix A**, is designed to provide balance to the overall structure of CSCHF's investment program over the Time Horizon. However, many factors over time may necessitate an asset allocation review and possible rebalancing.

### **Eligible Investments**

The Policy Asset Allocation of the General Fund is expected to include a wide range of asset classes. These asset classes and their relative comparative indices are displayed in **Table B**:



**TABLE B: COMPARATIVE INDICES FOR INVESTMENT MANAGERS****Asset Class**

<b>Equity</b>	<b>Comparative Index</b>
<u><i>U.S. Equity</i></u>	
Large Core	Russell 1000
Large Value	Russell 1000 Value
Large Growth	Russell 1000 Growth
Equity Income	Russell 1000 Value
Mid Cap	Russell Mid Cap
Small Cap	Russell 2000
Sm-Mid	Russell 2500
<u><i>International/Global Equity</i></u>	
World Equity	MSCI World
International Large/Developed Countries	MSCI EAFE
International Ex. U. S.	MSCI ACWI ex. US
Emerging Market Stocks	MSCI EM
<b>Fixed Income</b>	
Domestic Fixed Income (Intermediate)	BLM Barclays Aggregate
Domestic Fixed Income (Short-term)	BLM Barclays 1-3 Gov./Credit
Global Fixed Income	BLM Barclays Universal
Cash Equivalents	ML 3-Mo. Treasury Bill
<b>Alternatives</b>	
U. S. Inflation Protected Fixed Income	BLM Barclays U.S. TIPS
U.S. High Yield Fixed Income	Citigroup High Yield
Emerging Market Fixed Income	JPMC Emerging Market Bond
Commodities	HFRI Commodities
Real Estate	NAREIT
Absolute Return (Hedge Funds)	HFRI Fund of Funds
Opportunistic/Tactical/Asset Allocation Funds	Determined by Strategy

It is a prudent and desirable investment discipline to rebalance the General Fund periodically to minimize deviations from the Policy Asset Allocation mix.

The Board may elect to rebalance the portfolio at any time. However, the General Fund shall be rebalanced in the event any individual asset class falls outside the stated policy ranges (minimum or maximum). The Consultant will assist the Board and Foundation staff as needed in implementing any such rebalancing.

Permissible investments can be made through 'Collective Funds' or directly held as individual issue securities)

- Common stocks
- Convertible notes and bonds



- Convertible preferred stocks
- American Depositary Receipts (ADRs) of non-U.S. companies
- Stocks of non-U.S. companies (Ordinary Shares) listed on a major exchange agencies of the U.S. Government
- Government-sponsored enterprises (GSEs)
- Obligations of domestic and foreign corporations
- 144 A securities with Registration Rights
- Collateralized obligations including mortgage-backed securities, collateralized mortgage obligations and asset-backed securities
- Repurchase agreements with investment-grade financial institutions with U.S.
- Treasuries, GSE debt or GSE mortgage-backed securities as collateral
- State and local governments and political subdivisions
- Certificates of deposit with banks or savings institutions approved by the Finance Committee
- Money market funds and mutual funds consisting of the above security types
- Futures Contracts
- Precious Metals Bullion
- Interest-only (IO) and principal-only (PO) collateralized mortgage-backed securities are **expressly prohibited**

#### **Use of Collective Funds**

Collective Funds can be open-end mutual funds, closed-end mutual funds, and exchange-traded funds. Investment Consultant will carefully review the prospectuses of potential Collective Funds candidates to identify Collective Funds with policies, restrictions and characteristics that are similar to those listed in this IPS. Furthermore, any Collective Funds considered should meet the following minimum requirements:

1. A performance track record of 5 years or longer
2. The manager must have tenure of 3 years or longer with that particular fund;
3. The assets under management must exceed \$200 million; and
4. The average investment expense ratio must not exceed the category average.

#### **Use of Alternative Asset Classes and Non-Traditional Investment Strategies**

The Board recognizes the academic research supporting the use of alternative investments as a mechanism to potentially reduce the volatility and/or enhance the expected return of the General Fund. These investments include, but are not limited to: aggressive fixed income, long/short strategies, flexible mandate/opportunistic approaches, private equity, hedge funds and inflation-focused strategies (real estate, TIPS, commodities, and natural resources).

No Investment Manager shall invest any portion of the General Fund in illiquid hedge funds, limited partnerships and private equity vehicles, of any type, unless such prospective investments are previously reviewed by the FIC and specifically approved by unanimous decision of the Board.

## **CONTROL PROCEDURES**

### **Investment Manager Performance Review and Evaluation**

The investment performance of each Investment Manager will be measured against commonly accepted performance benchmarks. At no time will an individual Investment Manager's performance be compared to overall expectations for the General Fund.

Consideration shall be given to the extent to which each Manager's time-weighted investment results are consistent with the investment objectives, goals and guidelines as set forth in this IPS. A manager may be placed on "Watch" and a further review and analysis of the quantitative and qualitative factors affecting the manager may be conducted when:

#### *Qualitative*

1. There is a change in the professionals managing the portfolio, or firm ownership.
2. There is an indication of deviation of stated style or strategy.
3. Any extraordinary event occurs that may interfere with the manager's ability to fulfill their role in the future.

#### *Quantitative*

1. A manager performs below appropriate index and/or median for their peer group over a 3-,5-, and/or 10 years cumulative period.
2. There is a failure to adhere to any aspect of this IPS, including communication and reporting.
3. There is an increase in the product's fees and expenses.
4. The product's assets decrease by greater than 20% of the assets under management.

The Board intends to evaluate the Investment Managers quarterly but reserves the right to terminate a manager for any reason including, but not necessarily limited to the failure to adhere to any aspect of this IPS. The decision to retain or terminate a manager cannot be made by a formula. It is the FIC/Board's confidence in the manager's ability to perform in the future that determines ultimately whether to retain or terminate any manager or strategy.

### **Investment Related Fees and Expenses**

The Board shall periodically review all costs associated with the management of the General Fund, which may include, but need not be limited to the following:

- Investment Manager fees and/or expenses;
- Investment Consultant fees and/or expenses;
- Custody fees and related charges;
- Trade execution and settlement charges.

## **Acknowledgement and Acceptance**

The undersigned acknowledges that this Investment Policy Statement is adopted by the Board on behalf of

Copper Shores Community Health Foundation.

1. Signed/Date  1 06 / 19 / 2024  
Printed Name/Title: BRUCE RUKKILA ; TREASURER

2. Signed/Date  1 06 / 19 / 2024  
Printed Name/Title: ANNE CLANCY - KLEMMER ; SECRETARY

**IPS Adopted:** July 2014:

Revised: 12-6-2016, 12-20-2017, 12/16/2020, June 16, 2023, June 2024,



## **APPENDIX A**

The following allocation of asset classes is intended to produce a rate of return sufficient to meet the goals and objectives of CSCHF for the General Fund. The returns of the Investment Managers, who are selected because of their expertise in specific asset classifications, will be measured against the target percentage of the appropriate index and peer group using time weighted returns as shown below.

The return of the combined accounts will be measured against the blended target percentages of the appropriate indices below:

### **POLICY ASSET ALLOCATION: COPPER SHORES COMMUNITY HEALTH FOUNDATION FUND**

<b><i>Asset Class</i></b>	<b>Market Benchmark</b>	<b>Lower Limit%</b>		<b>Strategic Target %</b>	<b>Upper Limit%</b>
<b>Equity</b>		<b>45.00 %</b>		<b>61.00%</b>	<b>75.00%</b>
US Large Cap Equity	Russell 1000	15.00 %		29.00%	40.00%
US Small/Mid Cap Equity	Russell 2000/2500	5.00%		14.00%	20.00%
Int'l. Equity Dev. & EM	MSCI ACWI ex. US	10.00 %		18.00%	25.00%
<b>Fixed Income/Cash</b>		<b>15.00 %</b>		<b>24.00%</b>	<b>35.00%</b>
Intermediate Term	BB Aggregate	5.00%		15.00%	25.00%
Opportunistic (Multi-Sector)	BB Universal	0.00%		4.00%	10.00%
Cash & Short Term	ML 3-Mth T-Bills	0.00%		5.00%	10.00%
<b>Asset Allocation</b>		<b>0.00%</b>		<b>15.00%</b>	<b>20.00%</b>
Asset Allocation	65% ACWI World, 35% BB Agg	0.00%		15.00%	20.00%

## IPS VERSION CONTROL

### Revisions:

**June, 2015-FIC** | Board Approved removal of specific inflation factor in determining real return, designating the calculated Consumer Price Index (CPI) as the percentage to use along with spending and growth.

**February, 2016-FIC** / Board Approved change in allocation to remove Vanguard International Value and replace with Lazard International Strategic Equity, The International Allocation of 20% did not change, but they changed from 10% Indexed, 5% & 5% Actively managed to allocation in thirds (7%, 6.5%, 6.5%) respectively.

**December, 2016-FIC/Board** Approved changes:

Equity Investment, 5: 'Up to 35% of the U.S. equity portfolio may be invested in mid cap and small cap U.S. companies, as commonly defined by current market capitalization metrics'.

- CONTROL PROCEDURES, Quantitative, I: '10 years replaced 7 years'.
- POLICY ASSET ALLOCATION: PORTAGE HEALTH FOUNDATION FUND:  
'Large/Mid Value, Core, Growth Index Benchmark changed to Russell 1000'.
- POLICY ASSET ALLOCATION: PORTAGE HEALTH FOUNDATION FUND: 'Commodity Basket 5% Target allocation now specified'.

**December 2017, FIC/Board** Approved changes:

Eliminate "Equity Investment" and "Fixed Income Investment Policy" Sections.

- Create new "Eligible Investments" section, which includes previously identified as Eligible Investments contained within "Equity Investment" and "Fixed Income Investment Policy" Sections.

Rename Section titled "Mutual Fund" to "Collective Funds"

Eliminate "Watch-listed" section and language.

**December 16, 2020, Board** approved a change in "Spending Rate" from an annual distribution amount as determined by the lesser of (a) 3.5% of the prior calendar year-end closing market value or (b) 3.5% of the 3-year moving average of the calendar year-end closing market values to read: "During a normal capital market and operating environment, the annual distribution amount of 4.00% will be determined using a 4-Year moving average which shall be calculated using the average of trailing 16 quarter-end General Fund portfolio closing market values as of September 30" of the current calendar year; "average" is total sum of 16 most recent quarter-end General Fund portfolio market values divided by 16."

- Removed the table of formulas for previous revision calculation

**June 16, 2023, IPS** amended to reflect the name change from Portage Health Foundation to Copper Shores Community Health Foundation. No other changes were made.

**June 2024,** Added new asset allocation fund to target allocation of 65% equities/35% fixed income. Fixed minor grammatical errors.