

Investment Policy Statement Outline

ORGANIZE	<p>1. Executive Summary. A one page summary of the Investment Policy Statement (IPS)</p> <p>2. Purpose and Background. Information to lay the foundation for the IPS:</p> <ol style="list-style-type: none"> a. Background “story” of the organization and key information about fiduciaries b. Purpose of this IPS, the objectives of the portfolio and the legal structure c. Size of the portfolio, amount of future contributions and pending disbursements d. Fiscal health of the sponsoring entity and tax status (taxable or tax exempt) e. Restrictions on the disbursements of fund assets (legal, donor or board-directed)
FORMALIZE	<p>3. Statement of Objectives. Objectives need to be clearly stated:</p> <ol style="list-style-type: none"> a. Investment time horizon and risk tolerance level b. Attitudes, expectations, expected returns and goals of the board members c. Projected financial requirements, spending policy and cash flow projections d. Desired interim and end results of the investment program <p>4. Investment Strategy Guidelines and Investment Policy. Guidelines are established to identify the parameters of the investment strategy (the diversification or asset allocation decision):</p> <ol style="list-style-type: none"> a. Asset class preferences and expected rates of return by asset class b. Targeted asset allocation guidelines, asset class limits and rebalancing procedures
IMPLEMENT	<p>5. Securities Guidelines. Define the boundaries of the playing field for investment managers:</p> <ol style="list-style-type: none"> a. Permitted investments in the various asset categories: cash equivalents, domestic equities & fixed income, international equities & fixed income, alternative investments, etc. b. Prohibited investments c. Socially responsible investment preferences <p>6. Selection of Investment Managers. Include a definite investment manager research methodology and selection process focusing on people, philosophy, process and performance:</p> <ol style="list-style-type: none"> a. Fi360 due diligence research criteria: regulatory oversight, track record, assets in the fund, stability of the organization, composition consistent with asset class, style consistency, expense ratio/fees relative to peers, risk-adjusted performance relative to peers and performance relative to peers
MONITOR	<p>7. Control Procedures. Define control procedures to monitor the portfolio on a periodic basis:</p> <ol style="list-style-type: none"> a. Performance benchmarks b. Processes to monitor the investment consultant, investment managers and custodians c. Monthly, quarterly and annual review procedures <p>8. Signatures</p>

Adapted from Sources: The Management of Investment Decisions, Donald Trone, William Albright, Phillip Taylor (McGraw-Hill) and Fi360