

# New York–New Jersey Trail Conference Investment Policy

Approved by the Board of Directors May 31, 2011

## I. Intent

This Investment Policy is intended to establish clear investment guidelines for the benefit of the Board of Directors (Board) of the New York-New Jersey Trail Conference (Trail Conference), The Trail Conference's Finance (aka Administrative) Committee and Investment Sub-committee, and, if applicable, Trail Conference's external investment managers.

In recognition of its responsibility to manage its invested assets prudently, the Board has appointed a Finance Committee in accordance with the By-Laws of the Trail Conference. The Investment Committee, a sub-committee of the Finance Committee, has been charged with the responsibility to supervise the management of all funds belonging to the Trail Conference, and has been further charged with the responsibility of keeping the Finance Committee and the Board properly advised of the status of such investments.

The Investment Committee will review this Investment Policy on a regular basis and any significant revisions will be communicated to the Board, Finance Committee, and Investment Managers within 30 days.

## II. Asset Allocation and Diversification Requirements

The Trail Conference's investment portfolio shall be divided into three "buckets":

- A. A **short-term liquidity pool** that can be drawn upon to cover projected operating deficits over the next three months. The amount needed will vary during the year, but most of the time this could be sized in the range of \$50-\$100 thousand. This amount would be resident in the Trail Conference's checking account and bank money market fund.
- B. An **intermediate-term liquidity pool** to fund projected operating expenses in the range of 6-12 months into the future. This pool would be part of the Trail Conference's brokerage account, invested in funds of money market instruments and short-term bonds. Transfers from this pool to the short-term pool would be made as needed to maintain the desired degree of liquidity in the bank accounts.
- C. Money not needed to fund the two liquidity pools would be invested in a **long-term investment portfolio** to achieve a combination of income and growth objectives.

The long-term investment portfolio should always be a balanced investment, with both stock and bond components. Under normal market conditions, stock investments would comprise 30%-60% of the portfolio, bonds would comprise 30%-60%, and liquid reserves would be 5%-40%. In the event of abnormal market conditions, the Investment Committee could modify these ranges.

The stock component should be diversified among growth and value funds and exchange-traded funds (ETFs) and the equity component of one or more balanced funds (e.g. Wellesley Income). Both index funds and actively managed funds would be permitted investments, as would be international stock funds and sector funds that focus on commodities and precious metals. Investing in individual stocks would not be permitted.

The bond component should also be diversified to include allocations to diversified fixed-income funds (e.g., PIMCO Total Return) as well as more specialized funds (e.g., Vanguard High Yield). Both index funds and actively managed funds would be permitted investments. Investing in individual bonds, other than U.S. Treasury bonds and notes, would not be permitted.

The Investment Committee would manage the risk characteristics of the Trail Conference's portfolio to avoid being either overly conservative or overly aggressive. Current and expected market conditions and the Trail Conference's projected need for liquidity will be taken into account in determining the stock/bond/cash allocation mix. As the long-term investment portfolio grows over time, it can afford to have a less conservative risk profile, with greater emphasis on stocks to provide long-term growth and less on bonds to provide income. On the other hand, if we anticipate an operating deficit in the next year or two, a more conservative investment posture would be appropriate.

The diversification of the investment portfolio will be reviewed by the Investment Committee as frequently as circumstances require and at least annually. Any decision by the Investment Committee that would result in non-diversification of the Trail Conference's investment portfolio will be reported to the Board at its next meeting.

### **III. Management and Investment Standards**

The following factors, to the extent relevant, will be among the considerations in managing and investing the Trail Conference's investment portfolio: (i) general economic conditions; (ii) the possible effect of inflation or deflation; (iii) the expected tax consequences, if any, of investment decisions or strategies; (iv) the role that each investment or course of action plays within the overall investment portfolio; (v) the expected total return from income and the appreciation of investments; (vi) other resources of the Trail Conference; (vii) the need of the Trail Conference to make distributions and preserve capital; and (viii) an asset's special relationship or special value, if any, to the purposes of the Trail Conference.

### **IV. Delegation of Investment Management Functions**

Where appropriate, and subject to any specific limitation set forth in a gift instrument, the Finance Committee may delegate investment management functions to external agents, including investment managers and other external investment professionals (each, an "Investment Manager").

The Investment Managers may be granted full investment discretion regarding the purchase and sale of individual securities or investments within their investment style and consistent with the objectives and directions of the Investment Committee. Investment Managers are not permitted to deviate from their specifically announced investment strategies without the written approval of the Investment Committee.

The retention of each Investment Manager must be approved by the Finance Committee. In selecting, continuing or terminating an Investment Manager, the Finance Committee will consider, to the extent relevant, the Investment Manager's experience, track record, key personnel, compensation as compared to appropriate peer benchmarks, potential conflicts of interest and other customary due diligence information.

Prior to investing with an Investment Manager, the Finance Committee or Investment Committee will obtain all relevant documentation, including: (i) any offering memorandum or other document containing guidelines; (ii) limited partnership agreement or other governing

documents; (iii) subscription documents; (iv) form ADV for advisers registered under the U.S. Investment Advisers Act of 1940, if available; and (v) any due diligence materials deemed appropriate.

Investment Managers will be required to submit or make available quarterly reports to the Investment Committee setting forth (i) performance; (ii) portfolio characteristics, summarized by key investment factors; (iii) portfolio holdings in total, where possible; and (iv) valuation.

## V. Conflicts of Interest

### A. Policy With Respect to Conflicts of Interest

Certain investment relationships that members of the Finance Committee or Investment Committee might have could present a potential or actual conflict of interest. This section of the Investment Policy is intended to provide the Finance and Investment Committees with a policy and procedure for handling conflicts of interest. This section of the Investment Policy modifies the Trail Conference's Conflict of Interest Policy with respect to conflicts related to matters under consideration by the Finance and Investment Committees. Specifically, a conflict of interest could arise when: (i) a member of the Finance or Investment Committee has a material ownership interest in, or is directly employed by, a potential Investment Manager; (ii) a member of the Finance or Investment Committee is a client of a potential or existing Investment Manager (i.e., the Committee member is also an investor with the Investment Manager); (iii) a member of the Board who is not a member of the Finance or Investment Committee has a material ownership interest in, or is directly employed by, a potential Investment Manager; or (iv) a member of the Board, Finance Committee or Investment Committee has any other material business relationship with a potential or existing Investment Manager.

- (1) When a Finance or Investment Committee Member Owns, is employed by or has any other Material Business Relationship with a Potential Investment Manager

It is the general policy of the Trail Conference not to invest with an Investment Manager if a member of the Finance or Investment Committee has a material ownership interest in, is directly employed by, or has any other material business relationship with the Investment Manager. If a Finance or Investment Committee member has such a relationship, that relationship must be disclosed to the Treasurer in accordance with the procedures described below.

- (2) When a Finance or Investment Committee Member is a client of a potential Investment Manager

If a Finance or Investment Committee member knows that he or she has an investment with a potential or existing Investment Manager, whether in the same fund as the Trail Conference, a different fund, or in a separate investment account with the Investment Manager, such investment must be disclosed to the Treasurer pursuant to the procedures described below.

- (3) When a Board Member who is not a Finance or Investment Committee Member Owns or is employed by a potential Investment Manager

It will be the responsibility of the Finance and Investment Committees, when performing due diligence on a potential Investment Manager, to use reasonable efforts to ascertain whether any member of the Board is a principal, holds a material ownership interest in, or is otherwise directly employed by that

Investment Manager. If any such relationship exists, the interest will be disclosed to the Treasurer, who will consult with the Chairman and legal counsel, as appropriate, to determine whether the relationship merits further consideration by the Finance Committee.

(4) Household Family Members

The policy and procedures described in this Section V also apply to household family members. For example, if a Finance or Investment Committee member knows that his or her household family member has an investment with an Investment Manager under consideration by the Trail Conference, the Committee member will disclose this information in accordance with the procedures described below.

B. Procedure for Disclosure and Recusal

(1) Finance and Investment Committee Members

(a) When a Finance or Investment Committee Member owns, is employed by, or has any other material business relationship with an Investment Manager

If the Finance or Investment Committee is considering recommending the purchase by the Trail Conference of an investment with an Investment Manager, a Finance or Investment Committee member with a material ownership interest in, who is directly employed by, or has any material business relationship with that Investment Manager must disclose the interest, employment or business relationship to the Treasurer. In consultation with the Chairman and legal counsel, as appropriate, the Treasurer will make a recommendation to the Finance Committee, which will determine whether the Investment Manager should be disqualified from investment by the Trail Conference.

(b) When a Finance or Investment Committee Member is a client of an Investment Manager

If the Finance or Investment Committee is considering recommending the purchase or redemption by the Trail Conference of an investment in a fund or with an Investment Manager, a Finance or Investment Committee member who is a client of such fund or Investment Manager (i.e., is also invested in the fund or otherwise with the Investment Manager) must disclose the interest to the Treasurer. In consultation with the Chairman and legal counsel, as appropriate, the Treasurer will make a recommendation to the Finance Committee, which will determine whether the member should be recused from the purchase or redemption decision. Whether it is advisable for the member to be recused will depend on the facts and circumstances. The relevant inquiry will include, among other factors, whether the Trail Conference's decision to invest, redeem, or take no action, could have an impact on the Committee member's investment in any material way.

(c) If a Finance or Investment Committee member is unsure whether his or her investment with a potential or current Investment Manager merits disclosure, the Committee member will err on the side of caution and disclose the relationship to the Treasurer. This policy is not intended to discourage Committee members from bringing investment opportunities to the Finance or Investment Committee for consideration, but is meant to provide the Finance Committee, the Investment Committee and the Board with full transparency.

(2) Consultants.

If the Finance or Investment Committee is considering recommending the investment by the Trail Conference in a fund or with an Investment Manager, any external consultants to the Finance or Investment Committee who (i) have a material ownership interest in, or are directly employed by, a potential or existing Investment Manager; (ii) are clients of a potential or existing Investment Manager or (iii) have any other material business relationship with a potential or existing Investment Manager, must disclose the interest to the Treasurer. In consultation with the Chairman and legal counsel, as appropriate, the Treasurer will determine whether the relationship merits further consideration by the Finance Committee. This policy also applies to household family members of consultants. The Treasurer will be responsible for communicating this policy to consultants.

C. Annual Disclosure

On an annual basis, the Investment Committee will provide the Board, officers, members of the Investment Committee, members of the Finance Committee, Executive Director and external consultants with a list of current Trail Conference investments. Each Board member, officer, Investment Committee member, Finance Committee member, Executive Director or external consultant should indicate on a form substantially similar to Annual Investment Conflict of Interest Disclosure Statement attached hereto whether, to the best of his or her knowledge, he, she and/or a member of his or her household family (i) has a material ownership interest in, or is directly employed by, an Investment Manager with which the Trail Conference invests, (ii) has an investment in (a) any of the funds in which the Trail Conference is invested, or in any fund managed by the same Investment Managers, or (b) any separate investment account with any of the Investment Managers with which the Trail Conference invests or (iii) has a material business relationship with an Investment Manager.

D. Disclosure, Abstention and Recusal With Respect to Other Potential Conflicts of Interest

Other relationships that do not rise to the level of those covered in paragraphs (A) and (B), above, may still present a conflict of interest for a member of the Finance or Investment Committee if the member's independent judgment regarding the Investment Manager could be impaired by virtue of the relationship. Such conflicts could include, for example, the relationship of a parent or sibling of a Finance Committee or Investment Committee with an Investment Manager or Potential Investment Manager. Potential conflicts of interest must be disclosed to the Treasurer, who will consult with the Chairman and legal counsel, as appropriate, to determine whether the Committee member must abstain or recuse himself or herself from consideration of the matter.

E. Recusal Process

If it is determined that abstention or recusal is required, then after disclosure of the potential conflict of interest and all material facts to the Finance Committee, and after the member responds to any questions that the Finance Committee may have, the member will be asked to abstain or be recused from the meeting while the appointment of the Investment Manager is discussed and voted upon. All such abstentions and recusals will be contemporaneously documented in the minutes of the Committee meeting. While the member may not vote on the issue to which the potential conflict of interest relates, he or she may be counted in determining the presence of a quorum for purposes of the vote.

# Annual Investment Conflict of Interest Disclosure Statement

Name: \_\_\_\_\_

Title: \_\_\_\_\_

[LIST OF CURRENT NY-NJ TRAIL CONFERENCE INVESTMENTS AND NAME OF INVESTMENT MANAGER - TO BE PROVIDED BY THE INVESTMENT COMMITTEE]

**Except for the investments set forth below**, I hereby certify to the best of my knowledge that neither I, nor any of my household family members, (i) has a material ownership interest in, or is directly employed by, any Investment Manager with which the Trail Conference invests, as named above, (ii) has an investment in (a) any of the funds in which the Trail Conference is invested, as set forth above, or in any fund managed by the same Investment Managers named above, or (b) any separate investment account with any of the Investment Managers with which the Trail Conference invests, as named above; (iii) has any other material business relationship with an Investment Manager with which the Trail Conference invests; or (iv) am aware of any other circumstance that may pose a Conflict of Interest. I hereby certify that I have received a copy of the Trail Conference's Investment Policy, have read and understand the conflict of interest provisions thereof, and agree to abide by them.

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

**PLEASE LIST ANY EXCEPTIONS BELOW:**