



INVESTMENT POLICY FOR THE ENDOWMENT

*Adopted June 14, 2018 by Board resolution
Amended September 12, 2018 by Board resolution
Amended September 11, 2019 by Board resolution
Amended September 9, 2020 by Board resolution*

I. Purpose

The purpose of Investment Policy (the “Policy”) of Preservation Connecticut (the “Organization”) is to establish the objectives and procedures for the overall management, investment approach, and governance of the funds falling within the scope of the Policy (the “Endowed Funds”). This Policy is intended to permit sufficient flexibility to capture investment opportunities yet provide parameters that ensure prudence and care.

This Policy is issued for the guidance of the Board of Trustees (the “Board”), Finance Committee, Executive Director, staff, and service providers for oversight and maintenance of the Endowed Funds. It also establishes the standards, disciplines, responsibilities, and objectives necessary for the Board to effectively manage the Endowed Funds.

II. Scope

The scope of this Policy extends to funds that, under the terms of a gift, are not wholly expendable on a current basis.

III. Fiduciary Standards

The Board, the Finance Committee, the staff, and service providers shall exercise their responsibilities with respect to the Endowed Funds in compliance with the requirements of, and subject to, future amendments to, the Connecticut Uniform Prudent Management of Institutional Funds Act (“CUPMIFA”), Connecticut General Statutes 45a-535 to 45a-535i, inclusive, which regulates the investment of endowment funds held by charitable institutions.

The CUPMIFA does not place onerous requirements on the Board, nor does satisfying the CUPMIFA require specialized financial knowledge or asset management skills. Rather, the CUPMIFA requires the Board to act with ordinary prudence and sets out guidelines regarding

investment service provider due diligence, delegation of management and investment functions, management of the Endowed Funds as a portfolio of assets, respect for restrictions contained in gift instruments, consideration of market and economic conditions, the accumulation of Endowment funds, and the expenditure of those funds.

To ensure compliance with CUPMIFA, the Finance Committee shall establish standard operating procedures with respect to accumulating, investing, and expending Endowment funds in a way that satisfies the CUPMIFA.

IV. Duties and Responsibilities

Board of Trustees. Consistent with the Bylaws of the Organization, the Board exercises ultimate responsibility for overseeing the management, operation, and maintenance of the Endowed Funds. The Board adopts, and from time to time shall review and revise, as appropriate, this Policy. The Board retains the authority to review, to modify or to rescind any decision made by the Finance Committee pursuant to the authority delegated to the Finance Committee by the Board.

Finance Committee. The Finance Committee shall provide oversight of the Endowed Funds under the authority delegated to it by the Board. The Finance Committee shall formulate investment policy, objectives and procedures; select, retain, replace, or terminate service providers; monitor the investment portfolio; and exercise shareholder rights, if any. The Finance Committee shall regularly report to the Board on investment performance and on its investment policy recommendations.

Executive Director. The Executive Director has operational responsibility for implementing actions which result from implementation of this Policy. The Executive Director and the Treasurer have legal signing authority to carry out the agreed-upon actions of the Finance Committee. The Executive Director is an *ex officio* member of the Finance Committee and shall be kept informed in a timely manner of the activities and actions of the Finance Committee with respect to the Endowed Funds.

Staff. In connection with duties related to the Endowed Funds, the Organization staff shall report to the Executive Director and assist the Executive Director in his or her duties related to the Endowed Funds.

Service Providers. The Finance Committee may retain service providers to service and maintain Endowment assets and to provide investment advice and management. The service providers may be delegated investment discretion, consistent with specified objectives and guidelines, to manage Endowment assets.

V. Investment Objectives

The Endowed Funds investment objective is to preserve and enhance the Endowed Funds total value so that distributions from the Endowed Funds can provide a reliable and growing revenue stream to

support the Organization's operations. The Board recognizes that a reasonable and appropriate level of investment risk is necessary to achieve this objective.

Regular evaluations are necessary to determine whether the objectives set forth herein are being met. The Finance Committee will review Endowment performance quarterly with Board. The Endowed Funds performance, net of all fees, will be evaluated relative to the performance of the following benchmarks:

- The Endowed Funds spending benchmark: A rate of return equal to five percentage points in excess of the rate of inflation as measured by the Personal Consumption Expenditures Price Index. The Endowed Funds spending benchmark permits comparison with the Endowed Funds actual return with an inflation-adjusted, *pro forma* spending rate (5%).
- The investment policy benchmark: The sum of each asset class's benchmark multiplied by its respective strategic asset allocation target. The investment policy benchmark permits comparison with the Endowed Funds actual performance to a proxy of roughly comparable investment characteristics and risk.

VI. Spending Policy

The Endowed Funds spending rate shall be approved by the Board. The Finance Committee shall recommend to the Board a spending rate annually as part of the budget process.

The purpose of endowment spending is to provide a stable source of revenue to support operations. The Board will set a spending rate consistent with the objective of preserving and enhancing the Endowed Funds total value.

VII. Asset Allocation and Guidelines

Time Horizon. The Endowed Funds investment horizon is long-term. Interim fluctuations should be viewed within this perspective. Similarly, the underlying capital market assumptions of the Endowed Funds' strategic asset allocation target is based on this long-term perspective.

Risk Tolerance. The Board recognizes the challenge of achieving the Endowed Funds investment objectives in light of the uncertainties and complexities of investment markets. It also recognizes that reasonable levels of investment risk are necessary to achieve long-term investment objectives.

Liquidity. The Board recognizes that while the investment objective is to preserve and enhance the Endowed Funds total value, the Endowed Funds must be sufficiently liquid to meet budgetary and near-term financial needs. Preservation Connecticut's policy is to maintain sufficient amounts of capital in highly liquid investments and/or cash in order cover average Endowment spending calculated over the three trailing years (i.e. one-year of average Endowment spending).

Asset Allocation and Rebalancing. Asset allocation is a substantial contributor to overall return performance and investment risk of the Endowed Funds. The Endowed Funds shall be regularly rebalanced in relation to the strategic asset allocation target. The Finance Committee will periodically evaluate the strategic asset allocation target. The strategic asset allocation target is provided in Appendix A and may be amended from time-to-time by the Board, upon recommendation of the Finance Committee.

Market fluctuations, cash flows, identification of short-term investment opportunities and pitfalls and liquidity considerations may cause the actual asset allocation to diverge from the strategic asset allocation target from time-to-time. The average balance of actual holdings in each asset class listed in Appendix A shall not deviate from the strategic asset allocation by more than fifteen percent (15%). The Finance Committee will regularly review departures from the asset allocation targets and assess the impact of these departures on achieving investment objectives.

Diversification. The Endowed Funds will be diversified across asset classes and within each asset class. The Endowed Funds will be diversified with respect to managers of funds in which it invests.

VIII. Exercise of Shareholder Rights

The Board recognizes that publicly traded securities and other assets of the Endowed Funds may include certain ancillary rights, such as the right to vote on shareholder resolutions at companies' annual shareholders' meetings, and the right to assert claims in securities class action lawsuits or other litigation. Preservation Connecticut, operating through its Finance Committee, will exercise these rights for the exclusive purpose of enhancing the value of the Endowed Funds.

APPENDIX A
Asset Allocation

Asset Class	Minimum (%)	Target (%)	Maximum (%)
Equities	55	65	75
US Large Cap	35	45	55
US Mid & Small Cap	5	10	15
International¹	5	10	15
Fixed Income²	25	35	45

¹ Emerging Markets Equity can be no more than 20% of the total International Equity Portfolio

² High Yield Fixed Income can be no more than 10 of total Fixed Income Portfolio

APPENDIX B

Uniform Prudent Management of Institutional Funds Act Conn. Gen. Stat. §§ 45a-535 to 45a-535i

§ 45a-535. Short title: Uniform Prudent Management of Institutional Funds Act

Sections 45a-535 to 45a-535i, inclusive, may be cited as the “Uniform Prudent Management of Institutional Funds Act”.

§ 45a-535a. Definitions

As used in sections 45a-535 to 45a-535i, inclusive, unless the context otherwise requires:

- (1) “Charitable purpose” means the relief of poverty, the advancement of education or religion, the promotion of health, the promotion of governmental purposes and any other purpose the achievement of which is beneficial to the community;
- (2) “Endowment fund” means an institutional fund or any part thereof not wholly expendable by the institution on a current basis under the terms of a gift instrument. The term does not include assets of an institution designated by the institution as an endowment fund for its own use;
- (3) “Gift instrument” means a record or records, including an institutional solicitation, under which property is granted to, transferred to or held by an institution as an institutional fund;
- (4) “Institution” means:
 - (A) A person, other than an individual, organized and operated exclusively for charitable purposes;
 - (B) A government or a governmental subdivision, agency or instrumentality to the extent that it holds funds exclusively for a charitable purpose; and
 - (C) A trust that had both charitable and noncharitable interests, after all noncharitable interests have terminated;
- (5) “Institutional fund” means a fund held by an institution exclusively for charitable purposes or a fund held by a trustee for a charitable community trust. “Institutional fund” does not include:
 - (A) Program-related assets;
 - (B) A fund held for an institution by a trustee that is not an institution, other than a fund which is held for a charitable community trust; or
 - (C) A fund in which a beneficiary that is not an institution has an interest other than an interest that could arise upon violation or failure of the purposes of the fund;
- (6) “Person” means an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, public corporation, government or governmental subdivision, agency or instrumentality or any other legal or commercial entity;
- (7) “Program-related asset” means an asset held by an institution primarily to accomplish a charitable purpose of the institution and not primarily for appreciation or the production of income; and
- (8) “Record” means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

§ 45a-535b. Standard of conduct in managing and investing institutional funds

- (a) Subject to the intent of a donor expressed in a gift instrument, an institution, in managing and investing an institutional fund, shall consider the charitable purposes of the institution and the purposes of the institutional fund.
- (b) In addition to complying with the duty of loyalty imposed by law other than sections 45a-535 to 45a-

535i, inclusive, each person responsible for managing and investing an institutional fund shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

(c) In managing and investing an institutional fund, an institution:

- (1) May incur only costs that are appropriate and reasonable in relation to the assets, the purposes of the institution and the skills available to the institution; and
- (2) Shall make a reasonable effort to verify facts relevant to the management and investment of the fund.

(d) An institution may pool two or more institutional funds for purposes of management and investment.

(e) Except as otherwise provided by a gift instrument, the following shall apply to an institution:

(1) In managing and investing an institutional fund, the following factors, if relevant, shall be considered:

- (A) General economic conditions;
- (B) The possible effect of inflation or deflation;
- (C) The expected tax consequences, if any, of investment decisions or strategies;
- (D) The role that each investment or course of action plays within the overall investment portfolio of the fund;
- (E) The expected total return from income and the appreciation of investments;
- (F) Other resources of the institution;
- (G) The needs of the institution and the fund to make distributions and to preserve capital; and
- (H) An asset's special relationship or special value, if any, to the charitable purposes of the institution.

(2) Management and investment decisions about an individual asset shall be made not in isolation but rather in the context of the institutional fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution.

(3) Except as otherwise provided by law other than sections 45a-535 to 45a-535i, inclusive, an institution may invest in any kind of property or type of investment consistent with the standards of this section.

(4) An institution shall diversify the investments of an institutional fund unless the institution reasonably determines that because of special circumstances the purposes of the fund are better served without diversification.

(5) Within a reasonable time after receiving property, an institution shall make and implement decisions concerning the retention or disposition of the property or to rebalance a portfolio in order to bring the institutional fund into compliance with the purposes, terms, distribution requirements and other circumstances of the institution and the requirements of sections 45a-535 to 45a-535i, inclusive.

(6) A person who has special skills or expertise or is selected in reliance upon the person's representation that the person has special skills or expertise has a duty to use those special skills or that expertise in managing and investing institutional funds.

§ 45a-535c. Appropriation for expenditure or accumulation of endowment fund. Factors in making a determination to appropriate or accumulate. Rules of construction

(a) Subject to the intent of a donor expressed in a gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Unless stated otherwise in a gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. In making a determination to appropriate or accumulate,

the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances and shall consider, if relevant, the following factors:

- (1) The duration and preservation of the endowment fund;
- (2) The purposes of the institution and the endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation or deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the institution; and
- (7) The investment policy of the institution.

(b) To limit the authority to appropriate for expenditure or accumulate under subsection (a) of this section, a gift instrument shall specifically state the limitation.

(c) Terms in a gift instrument designating a gift as an endowment or a direction or authorization in the gift instrument to use only “income”, “interest”, “dividends” or “rents, issues or profits”, or “to preserve the principal intact”, or similar words:

- (1) Create an endowment fund of permanent duration unless other language in the gift instrument limits the duration or purpose of the fund; and
- (2) Do not otherwise limit the authority to appropriate for expenditure or accumulate under subsection (a) of this section.

§ 45a-535d. Delegation of management and investment of institutional fund

(a) Subject to any specific limitation set forth in a gift instrument or in law other than sections 45a-535 to 45a-535i, inclusive, an institution may delegate to an external agent the management and investment of an institutional fund to the extent that an institution could prudently delegate under the circumstances. An institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, in:

- (1) Selecting an agent;
- (2) Establishing the scope and terms of the delegation, consistent with the purposes of the institution and the institutional fund; and
- (3) Periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the scope and terms of the delegation.

(b) In performing a delegated function, an agent owes a duty to the institution to exercise reasonable care to comply with the scope and terms of the delegation.

(c) An institution that complies with subsection (a) of this section is not liable for the decisions or actions of an agent to which the function was delegated.

(d) By accepting delegation of a management or investment function from an institution that is subject to the laws of this state, an agent submits to the jurisdiction of the courts of this state in all proceedings arising from or related to the delegation or the performance of the delegated function.

(e) An institution may delegate management and investment functions to its committees, officers or employees as authorized by law other than sections 45a-535 to 45a-535i, inclusive.

§ 45a-535e. Release or modification of restrictions contained in gift instrument on management, investment or purpose of institutional fund

(a) With the donor's consent in a record, an institution may release or modify, in whole or in part, a restriction contained in a gift instrument on the management, investment or purpose of an institutional fund. A release or modification may not allow a fund to be used for a purpose other than a charitable purpose of the institution.

(b) If a restriction contained in a gift instrument on the management or investment of an institutional fund becomes impracticable or wasteful or impairs the management or investment of the fund or if because of

circumstances not anticipated by the donor a modification of a restriction will further the purposes of the fund, a court, upon application of the institution, may modify the restriction. The institution shall notify the Attorney General, who shall be given an opportunity to be heard. To the extent practicable, any modification shall be made in accordance with the donor's probable intention.

(c) If a particular charitable purpose or a restriction contained in a gift instrument on the use of an institutional fund becomes unlawful, impracticable, impossible to achieve or wasteful, a court, upon application of an institution, may modify the purpose of the fund or the restriction on the use of the fund in a manner consistent with the charitable purposes expressed in the gift instrument. The institution shall notify the Attorney General, who shall be given an opportunity to be heard.

(d) Nothing in this section shall be construed as amending or altering existing standards in the law for approximation, cy pres or equitable deviation actions.

§ 45a-535f. Determination of compliance with act

Compliance with sections 45a-535 to 45a-535i, inclusive, is determined in light of the facts and circumstances existing at the time a decision is made or an action is taken.

§ 45a-535g. Application to existing institutional funds

Sections 45a-535 to 45a-535i, inclusive, apply to institutional funds existing on or established after October 1, 2007. As applied to institutional funds existing on October 1, 2007, sections 45a-535 to 45a-535i, inclusive, govern only decisions made or actions taken after such date.

§ 45a-535h. Relation of act to Electronic Signatures in Global and National Commerce Act

Sections 45a-535 to 45a-535i, inclusive, modify, limit and supersede the Electronic Signatures in Global and National Commerce Act, 15 USC Section 7001 et seq., but do not modify, limit or supersede Section 101 of said act, 15 USC Section 7001(a), or authorize electronic delivery of any of the notices described in Section 103 of said act, 15 USC Section 7003(b).

§ 45a-535i. Uniformity of application and construction of act

In applying and construing sections 45a-535 to 45a-535h, inclusive, consideration shall be given to the need to promote uniformity of the law with respect to its subject matter among states that enact it.