



**Request for Proposal (RFP)
For Investment Management
Services**

Angie Lutterman, CPA
Chief Financial Officer & Managing Director of Operations

Investments & Wealth Institute Request for Proposal

Objective

The Investments & Wealth Institute “The Institute” is requesting proposals from investment advisors and consultants for the discretionary management of its investment portfolio. The investment consultant will advise the Investment Committee on appropriate investment philosophy, capital market trends, regular investment performance reports, policy reviews and updates, asset allocation strategy, investment manager searches, investment manager evaluations, compliance monitoring, education, and by providing the Committee with other investment advisory or consulting services as needed.

Currently, The Institute has \$13M in unrestricted long-term investments and \$6.6M in unrestricted short-term investments. For purposes of your proposal, please assume all funds are liquid and can be transferred immediately.

Background

The Institute— Investments & Wealth Institute (formerly IMCA) – a non-profit membership association, which was established in 1985, sets the standards and practices for the investment management consulting and wealth management professions, as well as provides investment consultants and investment advisers with the credentials and tools required to best serve their clients. Through designations, conferences, webcasts and certificate programs, etc., The Institute makes sure that its members are up-to-date on all investment management advisory and consulting topics.

The cornerstone of The Institute is the Certified Investment Management Analyst® (“CIMA”) designation. The CIMA® designation reflects experience, education, and ethical standards. Every financial professional who has earned the CIMA designation has at least three years of broad experience in the field of investment management consulting, has passed an extensive background check and has completed the demanding two-step, graduate-level program of study.

Response Instructions

Please submit **10** hard copies, in addition to one electronic copy (PDF) sent via email, of your response to this RFP no later than 3 p.m. (MDT) on August 1, 2019.

Please respond to the RFP questions in the order presented and limit your response to twenty (20) typed written pages for all questions. Appendix items, if any, are limited to an additional twenty (20) pages, bringing the maximum size of the RFP response to forty (40) pages. An appendix is to be presented as back-up information and not directly in response to the questions.

Investments & Wealth Institute Request for Proposal

Qualifications

To be considered a qualified consultant or investment advisory firm, your firm must respond to all items in the RFP and be:

- An active CIMA® licensee in good standing as of June 1, 2019 for at least 5 years.
- Willing to accept co-fiduciary responsibility for our account on behalf of your firm.
- Currently manages investment responsibility for 5 non-profits of \$5MM or greater in AUM.

Timing - 2019

RFP to Consultants	June 15
Last Day for Questions	July 20
RFP Response Deadline	August 1, 3 p.m. (MDT)
Finalist Selections	September 14
Finalist Presentations in Scottsdale	Week of October 21
Firm Selection	November 12
Implementation	January 1

Contact Information

At no time shall any representative of The Institute be contacted, unless pre-approved by Angie Lutterman. This includes members of the Investment Committee or Board of Directors. All questions and contact by the consultant or investment advisory firms are to be made **only to:**

Angie Lutterman,
Chief Financial Officer
5619 DTC Parkway - Suite 500
Greenwood Village, CO 80111
303.850.3073
InvestmentRFPresponses@i-w.org

Format

An evaluation committee will review all submitted RFPs. Interviews will be conducted with a short list of finalists. Information and/or factors gathered during interviews, negotiations, and any reference checks, in addition to the evaluation criteria rankings, shall be the sole and exclusive property of The Institute. Investments & Wealth Institute reserves the right to contact references other than, and/or in addition to, those furnished by your consulting firm.

Proposals shall be submitted via email as a PDF document. Where possible, responses shall be limited to single-spaced, single-sided, 8 ½" x 11" pages (excluding exhibits,

Investments & Wealth Institute Request for Proposal

samples, or other attachments) in no smaller than 10 point font. Include your firm's name on each page.

The Institute shall not be responsible or liable in any manner for the risks, costs, or expenses incurred by any consultant or investment advisor in the preparation of its response to this RFP nor travel expenses incurred by the finalists.

Evaluation Criteria

Specific attention will be paid to:

- Organization and capabilities
- Credentials, experience and reputation of the firm and/or team that will be working with The Institute. Background and quality of the manager research and asset allocation methodology
- Competitiveness of management and advisory fees for our non-profit organization
- Performance reporting capabilities
- Existing client relationships and references
- Ability to offer OCIO capabilities

Finalist Presentations

Firms selected as finalists should be prepared to conduct a one-hour presentation in Scottsdale, AZ.

Confidentiality

All information presented in this RFP, including information disclosed by The Institute during the selection process, is to be considered strictly confidential. Information must not be released to external parties without the express written consent of The Institute.

All responses and other materials submitted in response to this RFP will become the property of The Institute. Investments & Wealth Institute assumes no obligation and shall incur no liability regarding confidentiality of all or any portion of a response or any other material submitted in response to this RFP unless expressly agreed in writing to protect specifically identified information.

Addendum A - IPS

Please refer to Addendum A — The Institute's current IPS for more information about the organization, the asset allocation targets, and other pertinent information.

A. Firm Strength and Stability

1. Please provide the full name of your organization, address, telephone and facsimile number, firm website, mailing address of your main office and the name and CIMA license # of the team member who holds an active CIMA license. Include an organizational overview including a description of the corporate structure of the firm, ownership details, year of founding in present form, including the legal form of the organization, the parent company (if applicable), and any affiliated companies. If any change to the firm's corporate structure is anticipated, please also note this.
2. Please indicate the number of years your firm has been performing investment services similar to those that you seek to provide to The Institute.
3. Please describe your client base, including types of clients served, the number of non-profits for which your organization currently provides services, the length of time of services and the range of asset values among your non-profit clients.
4. Please disclose any and all conflicts of interest your organization has in serving as our investment consultant or investment advisor. Disclose whether your firm has any financial or other affiliation with other brokerage firms, banks, insurance companies, investment banking firms, or money management firms. Please include copies of any conflict of interest disclosures.
5. Is the firm willing to disclose upon client request, the dollar amount and nature of all material beneficial relationships that the firm or any affiliate of the firm, engages in with investment manager clients? If not, please explain.
6. Describe any material litigation, regulatory, or legal proceedings in which your firm or any of the principals are or have been involved over the past five years. Specifically highlight this information for the consultant(s) for our account.
7. Describe the levels of insurance coverage, including the amounts of errors and omission insurance and any other fiduciary professional liability insurance your firm currently has in force. Provide copies of all the appropriate state and/or national licenses required to act as investment manager as appendices.
8. What do you believe sets your organization's services apart from the competition, and allows your firm to generate superior performance and service levels?

B. Investment Process

1. Comment on your “investment philosophy” and process for analyzing a client’s portfolio structure and for recommending modifications. Describe your management approach towards this portfolio.
2. Describe your manager due diligence/research process. How often does your staff visit with money managers in-house and onsite?
3. Describe the capabilities and differentiating features of your firm's manager research database. Is the database proprietary or purchased? Are managers charged fees for inclusion? How many managers are tracked?
4. Describe the firm's manager search process. How are the managers initially screened? What criteria are emphasized in the latter stages of a search? Is there a minimum number of years of live performance required or a minimum amount of assets in the strategy to be included in the search? To what extent, if any are proprietary or affiliated managers included in a search and included in client portfolios?
5. How many analysts are employed by your organization that are responsible solely for investment manager research? How many analysts are responsible for performance evaluation, performance attribution analysis, manager evaluation and due diligence, etc.?
6. Describe your firm's experience in researching, selecting and monitoring managers in alternative asset classes, such as hedge funds, private equity, real estate, portable alpha, and commodities.
7. Discuss the theory and methodology of your asset allocation modeling process. Is your asset allocation software developed in-house or externally?
8. How are your capital market projections derived? How is that information used to develop investment strategy for clients?
9. How would you assist The Institute’s Board and Finance & Investment Committee in meeting their fiduciary responsibilities?
10. Describe the process you will use to assist us in the maintenance of our investment policy, spending policy, objectives and guidelines for our fund. Appendix A of this document contains The Institute’s current IPS. Please provide us with 3-4 key insights you wish for our committee to review as it relates to our IPS.
11. Address how you would structure the custody of The Institute’s investment assets. Would an internal, external or blended approach be used?

Investments & Wealth Institute Request for Proposal

12. Please provide three client references 2 of which are non-profits applicable to this RFP whom we can contact. Include the contact name, title, address, telephone, e-mail, the length of time providing services, the level of assets under management and was the relationship discretionary or non-discretionary.

C. Service Structure & Accessibility

1. Please provide a full list of consulting services offered by your firm.
2. Provide the location of the office that will serve The Institute and biographies of the key consulting personnel assigned to our account. Please identify who would be our main representative, who would perform the analytical work on the relationship and who would serve as the back-up consultant in situations when the proposed lead consultant could not attend a meeting. What is the average number of client relationships per consultant?
3. Tell us about the support professionals who would be responsible for this account. Explain how the team dedicated to our account would function. Indicate any special endowment management expertise. List any senior staff departures in the past two years and explain the reason for the departure.
4. Is your firm a registered investment advisor under the Investment Advisors Act of 1940?
5. Does your firm, its employees, or any affiliated or related entities derive any economic benefit from any investment entities, intermediaries or service providers that are or will be involved in our account?
6. Will you or your representatives be available to meet regularly (primarily via teleconference) to review the account? The Institute's Finance, Audit and Investment Committee meetings occur approximately six times per year. In-person attendance typically would be expected one to two times per year at locations that coincide with our regular Institute conferences, with the remainder of the meetings conducted via conference call.
7. What is your quality standard for returning telephone calls and/or emails?

D. Performance Reporting

1. Comment on your process for providing performance measurement reports to suit the needs of the Finance, Audit and Investment Committee.
2. How frequently do you plan to provide investment performance measurement reports to the committee? When are reports available after the end of each month/quarter? Can the Institute access performance reporting on a secure website?
3. Describe the performance measurement software your firm uses. Is the software proprietary, or does your firm utilize the software of an outside vendor? If your firm uses non-proprietary software, do you have the ability to influence changes to the software to customize reports for our needs?
4. Please describe how you monitor the style adherence of investment managers. Specifically, what types of reports would you use?
5. Describe the performance attribution analysis services you could provide.
6. Provide, as an appendix, sample copies of portfolio reports that would be provided to The Institute.

E. Fee Proposal

1. Please describe the fees proposed by your organization for providing investment management services to The Institute. Fully itemize all fees, if any, for the following:
 - Advisory – percentage of assets or hard dollar
 - Investment manager fees, investment manager revenue share, directed brokerage, soft dollar fees
 - Conversion fee
 - Transferring assets from one fund/manager to another
 - Other transaction fees
 - Travel
 - Training
 - Other administrative
2. If there are additional fees to be charged as a result of performing services related to preparing or modifying The Institute's Investment Policy, asset allocation analysis, or conducting manager searches, please describe those fees in detail.
3. Do you receive any 12b-1 fees or other compensation or revenue share from any investments that are or will be contained in our account and, if so, are they used to reduce our costs?

Investments & Wealth Institute Request for Proposal

Thank you for taking the time to respond to The Institute's request for proposal for consulting services for our assets! Your effort is deeply appreciated and we will respond shortly.

Addendum A

Investments & Wealth Institute Investment Policy Statement

Amended and Restated
May 5, 2019

Treasury Management Assets
Tier 1 Operating Accounts
Tier 2 Short-Term Reserves
Tier 3 Long-Term Reserves



Table of Contents

Section I	4
Introduction	4
Investments & Wealth Institute	4
General Investment Principles	4
Purpose of the Investment Policy Statement	4
Role of the Finance, Audit and Investment Committee	5
Delegation of Authority	5
Colorado Uniform Prudent Management of Institutional Funds Act (“UPMIFA”)	6
Spending Policy	7
Performance Measurement and Portfolio Monitoring	7
Compensation	7
Investment Policy Review	8
Section 2	9
Tier 1 Operating Accounts	9
Delegation of Authority and Investment Guidelines	9
Objective:	9
Investment Horizon:	9
Risk Tolerance:	9
Investment Vehicles:	9
Section 3	10
Tier 2 Short-Term Reserves	10
Delegation of Authority and Investment Guidelines	10
Investment Horizon:	10
Risk Tolerance:	10
Investment Vehicles:	10
Tier 3 Long-Term Reserves	11
Delegation of Authority	11
Investment Guidelines:	11
Responsibilities of Investment Management Consultant	11
Investment Objectives	12
Investment Time Horizon	12
Asset Allocation and Diversification Guidelines	12
Liquidity	13
Investment Restrictions	13
Portfolio Rebalancing	13
Risk Management	13
Performance Monitoring	14
Investment Manager Selection and Management	14
Communication	14
Addendum A	15
Asset Allocation	15
Addendum B	16
Treasury Management - Flow of Reserves	16

Executive Summary

The purpose of this Investment Policy Statement (“IPS”) is to establish guidelines for the investment management of the Investments & Wealth Institute (“The Institute”) Treasury Management Assets (“Association Funds”). The Institute utilizes three distinct classifications to define its Treasury Assets: 1) Tier 1 Operating Accounts, 2) Tier 2 Short-Term Reserves and 3) Tier 3 Long-Term Reserves. This IPS is organized into multiple sections. Section I outlines the core investment provisions and governance applicable to all three tiers, the unique investment objectives, asset allocation parameters, risk tolerance and investment time horizon details for each tier are outlined in Sections II, III and IV. For purposes of this document, the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) will be defined as “Institute Management”; and “Committee” is defined as the Finance, Audit and Investment Committee, and “Consultant” is defined as an investment management consultant with discretion.

Amounts held in each Tier as well as the transfer of funds from tier to tier is detailed in the Treasury Management – Flow of Reserves chart (Addendum B).

Tier 1 Operating Accounts

Objective: To provide sufficient liquidity to fund daily operations;

Investment Time Horizon: 0-12 months

Risk Tolerance: None

Managed by: Institute Management and monitored by the Committee.

Tier 2 Short-Term Reserves

Objective: Provide sufficient liquidity to fund emergency contingent liabilities and limited term Board Approved R&D projects as they arise.

Investment Horizon: 0 - 3 years

Risk Tolerance: Minimal

Managed by: Third party Investment Management Consultant or the Institute’s Management, with oversight and guidance by the Committee.

Tier 3 Long-Term Reserves

Objective: To provide long-term financial stability for the organization. It is comprised of those funds that are in excess of the anticipated needs for the operating funds of the organization. Use of these funds requires Board Approval.

Investment Horizon: 7 years and longer

Risk Tolerance: Moderately aggressive

Managed by: A Consultant with investment discretion, as selected by the Committee

Target Allocation: To be determined by the Consultant in accordance with this IPS.

Section I

Introduction

The purpose of this Investment Policy Statement is to establish guidelines for the investment management of the Institute's Treasury Management Assets ("Association Funds"). The Institute utilizes three distinct classifications to define its Association Funds: 1) Tier 1 Operating Accounts ("Operating Accounts"), 2) Tier 2 Short-Term Reserves ("Tier 2 Reserves") and 3) Tier 3 Long-Term Reserves ("Tier 3 Reserves"). This IPS is organized into multiple sections, Section I outlines the core investment provisions and governance applicable to all three tiers of Association Funds. The unique investment objectives, asset allocation parameters, risk metrics and time horizon details for each tier are outlined in Sections II, III and IV.

Association Funds are not permanently endowed capital and use of any or all of Tier 2 Reserves and Tier 3 Reserves require prior approval of the Institute's Board of Directors ("Board"). Use of Operating Accounts by the Institute's Management is authorized by the Board through the annual budgeting process, is reviewed on a regular basis by the Board and the Committee, and is included in the Quarterly financial report prepared by the Institute's Chief Financial Officer.

Investments & Wealth Institute

The Institute is a not-for-profit organization chartered in the State of Colorado for the purpose of providing education to the financial services industry. The mission of the Institute is to deliver the premier investment consulting and wealth management credentials and world class educational offerings.

General Investment Principles

In seeking to attain the investment objectives set forth in this IPS, all investments shall be made solely in the interest of the Institute. The Committee shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act adopted by the State of Colorado, codified at C.R.S. §15-1-11(2016). Fiduciary responsibility for decisions regarding the management of Association Funds resides jointly with the Board, the Committee, and depending on tier, with the investment management consultant ("Consultant") who, in addition, shall provide full and fair disclosure to the Committee of all material facts regarding any real or perceived conflicts of interests.

Purpose of the Investment Policy Statement

This statement of investment policy is set forth by the Institute and is meant to:

1. Define and assign responsibilities and accountability for all parties involved in the oversight and management of the Association Funds which includes: the Operating Accounts, Tier 2 Reserves, and Tier 3 Reserves;

2. Establish a clear understanding of the liquidity needs, investment goals and objectives, investment time horizon, distribution policies, investment guidelines and constraints that govern the Operating Accounts, Tier 2 Reserves, and Tier 3 Reserves;
3. These investment policies have been formulated consistent with the goals and objectives of the Institute and in consideration of the organization's tolerance for assuming investment and financial risk as reflected by the Committee and approved by the Board;
4. Provide guidance and limitations to any and all Consultants, investment managers, the Institute's management and the Committee regarding the investment of Association Funds, and to establish a basis for evaluating investment results;
5. Manage assets of each tier according to prudent standards and applicable law.

In general, the purpose of this statement is to outline a philosophy and attitude, which will guide the investment management of the Association Funds toward the desired results. It is intended to be sufficiently specific as to be meaningful, yet flexible enough to be practical.

Role of the Finance, Audit and Investment Committee

The role of the Committee is established in Article VI, Section 1 of the the Institute's Bylaws and is defined as being responsible for the investment and oversight of the Association Funds as authorized by the Board subject to an Investment Policy Statement. The Committee, with approval by the Board is authorized:

1. To delegate certain responsibilities to professional experts in various fields, including the ability to retain, terminate, or replace Consultants, investment managers, custodians and additional specialists;
2. The Committee is responsible for the due-diligence process in evaluating and selecting any discretionary Consultant for the management of Association Funds. The process used in making this selection should be documented by the Institute and will be reviewed periodically;
3. The delegation of authority to a Consultant who will adhere to the principals of the Colorado Uniform Prudent Management of Institutional Funds Act.

At least annually the Committee shall review this IPS for relevance and consistency with the Institute's objectives and circumstances and make recommendations to the Board as necessary. The Committee is accountable to the Board, and is responsible for overseeing the Association Funds, irrespective of tier, and shall be responsible for reviewing and addressing all actual or perceived conflicts of interest. From time to time, certain members of the Committee may be required to recuse themselves from such responsibility due to actual or perceived conflicts of interest.

Delegation of Authority

As stated in the previous section the Committee is responsible for the investment and oversight of the Association Funds as authorized by the Board subject to this IPS, and has the responsibility to make recommendations to the Board to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. One or more Consultants(s) for the discretionary management of all or a portion of the Association Funds;
2. One or more custodian(s) who will physically (or through agreement with a sub-custodian) maintain possession of securities governed by this IPS, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Association Funds various accounts;
3. Additional specialists such as attorneys, auditors, and others that may be needed to assist the Committee and/or Board in the execution of their responsibilities and obligations to administer the Association Funds prudently.

Colorado Uniform Prudent Management of Institutional Funds Act (“UPMIFA”)

It is the intent of this IPS to apply the standard set forth in the Colorado Uniform Prudent Management of Institutional Funds Act as they apply to the management of the Association Funds. The following language is an excerpt from UPMIFA:

- *In managing and investing an institutional fund, the following factors, if relevant, must be considered:*
 - *General economic conditions;*
 - *The possible effect of inflation or deflation;*
 - *The expected tax consequences, if any, of investment decisions or strategies;*
 - *The role that each investment or course of action plays within the overall investment portfolio of the institutional fund;*
 - *The expected total return from income and the appreciation of investments;*
 - *Other resources of the institution;*
 - *The needs of the institution and the institutional fund to make distributions and to preserve capital; and*
 - *An asset’s special relationship or special value, if any, to the purposes of the institution.*
- *Management and investment decisions about an individual asset must 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 institutional fund and to the institution.*
- *Except as otherwise provided by law other than this part 11, an institution may invest in any kind of property or type of investment consistent with this section.*
- *An institution shall diversify the investments of an institutional fund unless the institution reasonably determines that, because of special circumstances, the purposes of the funds are better served without diversification.*
- *Within a reasonable time after receiving property, an institution shall make and carry out 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, and distribution requirements of the institution as necessary to meet other circumstances of the institution and the requirements of this part 11.

- *A person that 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 skills or that expertise in managing and investing institutional funds.*

Spending Policy

The Spending Policy will be determined annually depending on the need for special projects, coverage of unexpected liabilities or other special situations determined by the Board. The Association Funds are not permanently endowed capital; use of any or all of either Tier 2 Reserves or Tier 3 Reserves requires prior approval of the Board. Use of the Operating Accounts is authorized by the Board through the annual budgeting process and reviewed on a quarterly basis as part of the quarterly financial report prepared by the CFO.

Performance Measurement and Portfolio Monitoring

The Committee will on a quarterly basis monitor and review the performance reports supplied by the Consultant. The report will include an evaluation of the portfolio holdings; asset allocation; and investment performance of the total Tier 3 Reserves, as well as for individual managers. The Committee intends to evaluate investment performance over a market cycle but reserves the right to terminate the Consultant for any reason including but not limited to, investment performance, failure to adhere to any aspect of this IPS, or meaningful changes to the Consultant's organization. Additionally, the Committee will perform an Investment Management Consultant request for proposal (RFP) on a regular basis of 5 years, regardless of the portfolio performance. The Committee reserves the right to issue an RFP prior to 5 years if it is deemed appropriate.

Compensation

The Committee is responsible for understanding and accounting for the component costs and total fees associated with managing the Association Funds. Management costs must be reasonable, to the direct benefit of the Association Funds and with any and all conflicts of interest fully disclosed. The Consultant will assist the Committee in the determination, understanding, negotiation and accountability of all investment costs for the tiers of Association Funds that the Consultant has responsibility over. The following cost components of the investment management process must be evaluated and considered:

1. Consultant's fee;
2. Total fee charged by investment managers and/or total product fee;
3. Transaction costs;
4. Commingled pooled fund internal expenses;
5. Audit, Administrative and Sub-accounting fees;

6. Custodial and Consulting fees.

It is the Committee's fiduciary responsibility to understand where the allocation of investment management costs should best be allocated to position the Association Funds to obtain superior risk adjusted performance and increase the probability of achieving the investment goals and objectives. This evaluation should not be considered a cost minimization model, but a prudent allocation of resources to obtain objectives. Fees will be reviewed annually.

Investment Policy Review

To assure continued relevance of the guidelines, objectives, financial status and capital market expectations as established in this statement of investment policy, the Committee will review this IPS at least annually; any and all amendments must be approved by the Committee and the Board.

This statement of investment policy is adopted as of August XX, 2017 by the Board of Directors of the Investments & Wealth Institute (the Institute).

Section 2

Tier 1 Operating Accounts

The Tier 1 Operating Accounts are defined as cash and cash equivalents utilized to provide sufficient liquidity to fund daily operations.

Delegation of Authority and Investment Guidelines

The Board has approved that Institute's Management has discretion to invest, manage, and transfer funds between and among the Operating Accounts subject to the following:

Objective:

- Provide sufficient liquidity to fund daily operations.

Investment Horizon:

- 0-12 months.

Risk Tolerance:

- None

Investment Vehicles:

- Up to 100% of the Operating Accounts assets may be placed in bank checking accounts, short term bank deposit products, bank money market accounts, and sweep accounts with daily liquidity and either FDIC insurance or are collateralized by government repurchase agreements. Up to 50% of the Operating Accounts assets may be invested Treasury Bills' or CD's maturing in 1 year or less;
- Allowable institutions: Banks with a 4 star or better rating, according to the most recent ratings by Bankrate.com. The CFO will be responsible for monitoring the ratings and shall report the ratings of all banks utilized during the year to the Committee on an annual basis.

Section 3

Tier 2 Short-Term Reserves

The Tier 2 Reserves are defined as funds in excess of those defined as Operating Accounts and are meant to provide sufficient liquidity to fund emergency contingent liabilities and near-term Board Approved R&D projects.

Delegation of Authority and Investment Guidelines

The Board has approved that a third party Investment Consultant or the Institute's Management has investment management responsibility for the Tier 2 Reserves with oversight and guidance from the Committee subject to the following:

Objective:

- Provide sufficient liquidity to fund emergency contingent liabilities and near-term Board Approved R&D projects.

Investment Horizon:

- 0-3 years

Risk Tolerance:

- Minimal

Investment Vehicles:

- Comingled funds, individual cash and cash equivalent securities, and fixed income securities with a maximum maturity of 5 years, and an average portfolio duration of no more than 3 years, and an investment grade rating with no more than 15% of the portfolio invested in BBB rated securities.

Section 4

Tier 3 Long-Term Reserves

The Tier 3 Reserves are defined as assets that are established to provide long-term financial stability for the Institute and are in excess of the anticipated Operating Accounts and Tier 2 Reserves. The use of these the Tier 3 Reserves requires Board approval.

Delegation of Authority

The Board has approved that the discretionary investment management and fiduciary responsibility of the Tier 3 Reserves be delegated to a Consultant, who shall have full discretion to make all investment decisions and manage the Tier 3 Reserves in compliance with this IPS.

Investment Guidelines:

The general characteristics of the Tier 3 Long-Term Reserves are as follows:

Objective:

- Provide long term growth with appropriate liquidity to fund strategic projects approved by the Board.

Investment Vehicles:

- Tier 3 Reserves shall be broadly diversified within the policy restrictions outlined in this policy statement.

Investment Time Horizon:

- 7 years and longer.

Risk Tolerance:

- Moderately aggressive within the guidelines of this policy statement section on Risk Management.

Responsibilities of Investment Management Consultant

The Consultant's role is that of a discretionary investment manager responsible to the Committee. This fiduciary responsibility includes:

- Implementation of all matters of investment management in order to prudently manage the fund in meeting the stated investment objectives as reflected in this IPS;
- Assisting the Committee in developing and understanding the overall asset allocation and diversification strategy recommended by the Consultant;
- Manage the fund within the diversification guidelines established;
- Conducting investment research and due diligence on all investment options, either active or passive;
- Employ active managers and/or passive strategies to invest in the asset allocation strategy;

- Monitor the performance of the investment managers, passive strategies and/or investment solutions employed. Terminate and replace managers, passive strategies and/or investment solutions as needed to meet the objectives of the Tier 3 Reserves;
- Rebalance the fund as required to meet the investment objectives and to keep the Tier 3 Reserves in compliance with minimum and maximum allocations established;
- Monitoring the performance of the Tier 3 Reserves within the risk guidelines established within this IPS;
- Provide the Committee with an annual assessment of the Tier 3 Reserve total investment management cost;
- Operate and manage the fund with any and all conflicts of interest fully disclosed to the Committee.

Investment Objectives

The investment objective of the Tier 3 Reserves is the following:

- To earn a total return net of all management cost of 4% above the Consumer Price Index (CPI) over the long-term time horizon;
- Manage the fund within the risk budget provided under the policy section titled “Risk Management”.

Investment Time Horizon

The investment time horizon for the Tier 3 Reserve will be considered 7 years and longer. The fund performance will be monitored on a rolling 3, 5 and 7 year basis as we establish a long-term performance track record.

Asset Allocation and Diversification Guidelines

The Consultant will provide an asset allocation analysis to determine the Target Allocation for the fund, given the restrictions and risk parameters outlined in this IPS. The asset allocation will be outlined in Addendum A and will include: capital market assumptions including the expected return, risk characteristics and the probability of achieving the investment objectives over the long-term time horizon. This analysis must include the methodology for establishing the assumptions for expected return, risk or volatility and the correlation of the asset classes included. When the capital market assumptions are updated in a material way that could affect the asset allocation targets, ranges, investment solution fulfillment or the diversification strategy of the fund, the Consultant will update Addendum A and recommend a new target allocation to the Committee.

The following macro asset classes will be used to determine the target asset allocation with minimum and maximum allocation constraints. The sub-asset class diversification will be determined and managed at the discretion of the Consultant.

- Global Equities (Growth Assets);
- Growth Fixed Income (Growth Assets);
- Core Fixed Income (Risk Reduction Assets);
- Alternative Investments (Risk Reduction Assets);
- Real Assets (Inflation Protected Assets).

Liquidity

All underlying investments must be fully marketable and traded efficiently on a public exchange.

Investment Restrictions

The following types of investments are prohibited for the fund:

- Venture Capital;
- Private Equity;
- Direct Real Estate Properties (non-securities and illiquid);
- Limited Partnership structures.

Portfolio Rebalancing

Rebalancing the Tier 3 Reserves for distribution will be accommodated upon request. Discretionary rebalancing the fund will be managed by the Consultant, as needed, to maintain the desired diversification strategy or when the asset class lower and upper limits are exceeded.

Risk Management

The Tier 3 Reserves will be managed within the following risk parameters. These parameters apply to the total Tier 3 Reserves portfolio and not to the risk characteristics of the individual managers, passive investments options and/or investment solutions. These risk measurements will be included in the quarterly performance monitoring reports.

1. Volatility as measured by Standard Deviation: The volatility of the Tier 3 Total portfolio will be monitored on a 36 monthly rolling period versus the volatility of the Risk Benchmark as defined by a 70% MSCI AC World Equity Index / 30% World Government Bond Index. The Tier 3 Total funds volatility is to be within a (+/-) 20% range of this risk benchmark as measured;
2. Beta: The Beta of the Tier 3 Reserves total portfolio should be .65 or less versus the MSCI AC World Equity index. The Beta of the Tier 3 Reserves portfolio will be monitored on a 36 monthly rolling period;
3. Alpha: The risk adjusted returns of the Tier 3 Reserves total portfolio will be measured on a rolling 36 month basis versus the Global Equity Markets (MSCI AC World Equity Index). The objective of the portfolio will be to have a positive Alpha or risk adjusted return;
4. Total Portfolio Risk: Use of Barra total Active Risk or equivalent.

Performance Monitoring

Performance monitoring will be provided on a quarterly basis and include the following:

- The net absolute return compared to the IPS objective of 4% plus inflation (CPI).
- Relative Returns to a capital market benchmark representing a passive solution to the strategic asset allocation of the fund.
- Risk Adjusted Return characteristics as listed under Risk Management.
- Individual investment manager and/or passive investment options performance to appropriate capital market benchmarks.
- Performance attribution of the macro asset class returns as they add to or detract from the Tier 3 Reserves total portfolio performance.

Investment Manager Selection and Management

The Consultant will maintain responsibility for the evaluation of the diversification and risk management of the investment managers and their continued due-diligence to assure the managers are operating according to the stated investment methodology approved by the consultant. Although the investment consultant has discretion to employ and terminate investment managers, the activity, research and logic for these decisions will be communicated to the Committee in the quarterly investment committee meetings.

Communication

Quarterly conference calls with the Committee will be conducted to review and evaluate all aspect of the management of the Tier 3 Reserves. Decisions made to change the investment managers, adjust the asset allocation and/or rebalance the fund will be covered during those reviews. On an annual basis, the Consultant will perform this review in person at one of the Institute Board meeting.

Addendum A**Asset Allocation**

Macro Asset Class	Target	Lower Limit	Upper Limit
Growth Assets (Including real assets)	72%	57%	85%
Risk Reduction Assets	28%	21%	45%

Growth Assets	Target	Lower Limit	Upper Limit
Global Equities	60	55	65
Growth Fixed Income	7	2	12
Real Assets	5	0	8
Risk Reduction Assets			
Core Fixed Income	16	13	25
Alternative Investments	12	8	20

Addendum B

Treasury Management - Flow of Reserves



