



Lourdes Senior Community
Investment Policy Statement
for
BOARD DESIGNATED OPERATING FUND
and
ENDOWMENT FUND

February 1, 2016

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EXECUTIVE SUMMARY

Type of Plan	Board Designated Operating Fund
Time Horizon	7-10 Years
Expected Return	CPI + 2%
Target Return	9.15% [Expected Return + CPI]+Expenses
Benchmark	70% SP 500/30% Gov
Risk Tolerance	High
Spending Policy Limit	None

Asset Allocation Guideline

	<u>Lower Limit</u>	<u>Strategic Allocation</u>	<u>Upper Limit</u>
US Fixed Income	20%	30%	30%
US Large Cap Equity	30%	45%	50%
US Small/Mid Cap Equity	5%	10%	15%
International Large Cap	10%	15%	20%
Cash & Equivalents	0%	0%	5%

Rebalancing Procedures	Portfolio is reviewed quarterly and rebalanced when appropriate.
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EXECUTIVE SUMMARY

Type of Plan	Endowment Fund
Time Horizon	7-10 Years
Expected Return	CPI + 2%
Target Return	9.15% [Expected Return + CPI]+Expenses
Benchmark	70% SP 500/30% Gov
Risk Tolerance	High
Spending Policy Limit	4.5% of 12 qtr. avg.

Asset Allocation Guideline

	<u>Lower Limit</u>	<u>Strategic Allocation</u>	<u>Upper Limit</u>
US Fixed Income	20%	25%	25%
US Large Cap Equity	30%	45%	50%
US Small/Mid Cap Equity	5%	10%	15%
International Large Cap	10%	15%	20%
Cash & Equivalents	0%	5%	5%

Rebalancing Procedures	Portfolio is reviewed quarterly and rebalanced when appropriate.
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Statement of Investment Policy, Objectives, and Guidelines

SCOPE OF THIS INVESTMENT POLICY

This statement of investment policy reflects the investment policy, objectives, and constraints of the entire Fund.

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of investment policy is set forth by the Board of Directors of Lourdes Senior Community in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of Fund assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of Fund assets.
4. Establish a basis for evaluating investment results.
5. Manage Fund assets according to prudent standards as established in common trust law.
6. Establish the relevant investment horizon for which the Fund assets will be managed.

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

DEFINITIONS

1. "Business Manager" shall mean the Chief Financial Officer of Lourdes Senior Community.
2. "Expected Return" shall mean the minimum anticipated annual portfolio return, or real growth.
3. "Fund" shall mean the following Lourdes Senior Community Funds:
 - Board Designated Operating Fund
 - Endowment Fund
4. "Finance Committee" shall refer to the committee of the Lourdes Senior Community Board of Directors established to administer the Fund as specified by the organization's By-laws.

5. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Fund assets.
6. "Investment Manager" shall mean any individual or group of individuals, employed to manage the investments of all or part of the Fund assets.
7. "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
8. "Investment Sub-Committee" shall refer to the sub-committee of the Lourdes Senior Community Finance Committee established to oversee the investments of cash, bond and stock assets in accordance with the organization's By-laws.
9. "Investment Time Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met.
 - The investment time horizon for the Board Designated Operating Fund is 7-10 years.
 - The investment time horizon for the Endowment Fund is 7-10 years.
10. "Securities" shall refer to the marketable investment securities that are defined as acceptable in this statement.
11. "Target Return" shall mean the nominal minimum annualized performance goal over the specified time horizon for portfolio return, including inflation [CPI] and expenses.

DELEGATION OF AUTHORITY

The Finance Committee of Lourdes Senior Community is a fiduciary, and is responsible for directing and monitoring the investment management of Fund assets. As such, the Finance Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant. The consultant may assist the Finance Committee or its sub committees, of which the Investment Committee is one, in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
2. Investment Manager. The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Fund's investment objectives.

3. Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, 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 Fund accounts.
4. Investment Sub-Committee. This sub-committee of the Finance Committee shall serve as an advisory committee to the Finance Committee or Board of Directors, as appropriate, on matters pertaining to investments. The Investment Sub-Committee will oversee the investment of cash, bond and stock assets of Lourdes Senior Community in accordance with the approved investment policy. These specific responsibilities are detailed under the Finance Committee guidelines.
5. Additional specialists such as attorneys, auditors and others may be employed by the Finance Committee to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

The Board of Directors and Finance Committee will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Managers will be held responsible and accountable to achieve the objectives herein stated. While any limitations within this policy are not intended to hamper investment managers, each manager should request modifications that they deem appropriate.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Fund as deemed appropriate and necessary.

ASSIGNMENT OF RESPONSIBILITY

RESPONSIBILITY OF THE INVESTMENT MANAGER(S)

Each Investment Manager must acknowledge in writing its acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
2. Reporting, on a timely basis, quarterly investment performance results.

3. Communicating any major changes to economic outlook, investment strategy, or any other factors that affect implementation of investment process, or the investment objective progress of the Fund's investment management.
4. Informing the Finance Committee regarding any qualitative change to investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.

RESPONSIBILITY OF THE INVESTMENT MANAGEMENT CONSULTANT

The Investment Management Consultant's role is that of a non-discretionary advisor to the Finance Committee and Investment Sub-Committee of the Lourdes Senior Community Funds. Investment advice concerning the investment management of Fund assets will be offered by the Investment Management Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Management Consultant include:

1. Assisting in the development and periodic review of investment policy.
2. Conducting investment manager searches when requested by the Finance Committee.
3. Providing "due diligence", or research, on the Investment Manager(s).
4. Monitoring the performance of the Investment Manager(s) to provide the Finance Committee with the ability to determine the Managers' progress toward the investment objectives.
5. Communicating matters of policy, manager research, and manager performance to the Finance Committee.
6. Reviewing Fund investment history, historical capital markets performance and the contents of this investment policy statement with any newly appointed members of the Finance Committee and the Investment Sub-Committee.
7. Advising the staff and Board on other financial matters affecting Lourdes Senior Community.

GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the Fund.
2. The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.

3. Investment of the Fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. The Finance Committee may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.
5. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.
6. The accounting for the Fund will follow Generally Accepted Accounting Principles, which requires that there be a specific identification of permanently restricted, temporarily restricted, and unrestricted funds. Accounting records will be maintained to allocate income appropriately to each of the types of restricted/unrestricted amounts. Should the Investment Subcommittee determine that certain restricted/unrestricted amounts not be invested in a co-mingled basis, the accounting treatment will reflect that decision.

GOAL OF LOURDES SENIOR COMMUNITY BOARD DESIGNATED OPERATING FUND

Maximize the current return of these assets consistent with the liquidity and principal preservation requirements discussed within this statement.

Specific Investment Goals & Objectives

The assets should be invested in accordance with a medium-term strategy and be evaluated within the context of a long-term investment horizon. Over an investment horizon of 7-10 years, the objective is to realize an average real rate of return of at least 5 percent per year [CPI + 2], after expenses.

The nominal minimum target rate of return will be estimated based on the following assumptions for purposes of developing the proper asset allocation to meet an average real rate of return of at least 5% per year, after expenses.

Real Growth Assumptions	5.0%
Inflation (CPI)	3.0%
Expenses	<u>1.15%</u>
Minimum Target Return	9.15%

GOAL OF LOURDES SENIOR COMMUNITY ENDOWMENT FUND

The Board feels that the Endowment Fund exists in perpetuity, and therefore, should provide for grant making in perpetuity. To attain this goal, the overriding objective of this fund is to maintain purchasing power. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation over the Endowment's investment horizon.

Specific Investment Goals & Objectives

The assets should be invested in accordance with a medium-term strategy and be evaluated within the context of a long-term investment horizon. Over an investment horizon of 7-10 years, the objective is to realize an average real rate of return of at least 5 percent per year [CPI + 2], after expenses.

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Inflation (CPI)	3.0%
Expenses	<u>1.15%</u>
Minimum Target Return	9.15%

It is expected that distributions from the Endowment will be made on an annual basis. Such distributions shall not invade the principal (accumulation of original gifts to the fund). Distributions are (further) limited to 4.5% of the simple average of the market value for the preceding twelve calendar quarters.

INVESTMENT GUIDELINES

The investment goals above are the objectives of the aggregate Fund, and are not meant to be imposed on each investment account (if more than one account is used). The goal of each investment manager, over the investment horizon, shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the Finance Committee that most closely corresponds to the style of investment management.
2. Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

Specific investment goals and constraints for each investment manager, if any, shall be incorporated as part of this statement of investment policy. Each manager shall receive a written statement outlining his/her specific goals and constraints as they differ from those objectives of the entire Fund.

ALLOWABLE ASSETS

1. Cash Equivalents

- Treasury Bills
- Money Market Funds
- Commercial Paper
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

2. Fixed Income Securities

- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Mortgage Backed Bonds
- Preferred Stock
- Fixed Income Securities of Foreign Governments and Corporations
- Planned Amortization Class Collateralized Mortgage Obligations (PAC CMOs) or other "early tranche" CMOs

3. Equity Securities

- U.S. Large-Cap
- U.S. Mid-Cap
- U.S. Small-Cap
- Non U.S. Large Stocks – Developed Countries
- Non U.S. Large Stocks – Emerging Market Developed Countries

INVESTMENT TYPES

- Individual Stocks or Bonds
- Open-ended Mutual Funds
- Closed-end Mutual Funds
- Exchange Traded Funds
- Managed Separate Accounts

DERIVATIVE INVESTMENTS

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, CMOs (PAC bonds, IOs, POs, residual bonds, etc.), and interest rate swaps, among others. The Finance Committee feels that many derivative securities are relatively new and therefore have not been observed over multiple economic cycles. Due to this uncertainty, the Finance Committee will take a conservative posture on derivative securities in order to maintain its risk adverse nature.

Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. Unless a specific type of derivative security is allowed in this document, the Investment Manager(s) must seek permission from the Finance Committee to include derivative investments in the Fund's portfolio. The Investment Manager(s) must present detailed information as to the expected return and risk characteristics of such investment vehicles.

PROHIBITED ASSETS

Prohibited investments include, but are not limited to the following:

1. Commodities and Futures Contracts
2. Options [other than covered calls]
3. Limited Partnerships
4. Venture-Capital Investments
5. Real Estate Properties

PROHIBITED TRANSACTIONS

Prohibited transactions include, but are not limited to the following:

1. Short Selling
2. Margin Transactions

LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Finance Committee will periodically provide the investment counsel with an estimate of expected net cash flow. The Finance Committee will notify the Investment Management Consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves.

DEFINITION OF RISK

The Board of Directors and Finance Committee realize that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Lourdes Senior Community Fund's assets understands how it defines risk so that the assets are managed in a manner consistent with the Fund's objectives and investment strategy as designed in this statement of investment policy. The Finance Committee defines risk as:

Loss of principal over a 3 year market cycle.

ASSET ALLOCATION GUIDELINE

Academic research offers considerable evidence that the asset allocation decision far outweighs security selection and market timing in its impact on portfolio variability and performance. After reviewing the long-term performance and risk characteristics of various asset classes and balancing the risk and rewards of market behavior, the following asset classes were selected to achieve the objectives of the Fund's Board Designated Operating Fund and Endowment Fund portfolios.

Asset Allocation

Equities	70% - 75%*
Fixed Income	20% - 25%
Cash	0% - 5%

* To include 10%-20% International & 5%-15% Small Cap

DIVERSIFICATION FOR INVESTMENT MANAGERS

The Finance Committee does not believe it is necessary or desirable that securities held in the Fund represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 10% of the total fund, and no more than 30% of the total fund should be invested in any one industry. Individual treasury securities may represent 40% of the total fund, while the total allocation to treasury bonds and notes may represent up to 100% of the Fund's aggregate bond position.

GUIDELINES FOR FIXED INCOME INVESTMENTS AND CASH EQUIVALENTS

1. Fund assets may be invested only in investment grade bonds rated BBB (or equivalent) or better.
2. Fund assets may be invested only in commercial paper rated A1 (or equivalent) or better.

3. Fixed income maturity restrictions are as follows:
 - Maximum maturity for any single security is 30 years.
 - Weighted average portfolio maturity may not exceed 15 years.
4. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poors, and/or Moody's.

REBALANCING PROCEDURES

From time to time, market conditions may cause the portfolio's investment in various asset classes to vary from the approved allocation. The portfolio shall be reviewed quarterly and rebalanced when appropriate. The purpose of rebalancing is to control risk and maintain the policy asset allocation within the ranges approved by the Board. Cash flow can be utilized to implement rebalancing activities.

Modification to the approved allocation may be needed from time to time for a variety of reasons. In the event that any individual Investment Manager's portfolio is out of range with its specific guidelines, for reasons including but not limited to market price fluctuations, the Finance Committee expects that the Investment Manager will bring the portfolio into compliance with these guidelines as promptly and prudently as possible without instruction from the Finance Committee.

SELECTION OF INVESTMENT MANAGERS

The Finance Committee's selection of Investment Manager(s) must be based on prudent due diligence procedures. A qualifying investment manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company.

The Investment Manager shall be chosen using various criteria, including adherence to investment style and objectives, length of time the fund/manager has been in existence and whether or not there have been material changes in the manager's organization and personnel, past performance (considered relative to other investments having the same investment objective), demonstrate a stable structure providing positive risk adjusted return, and be willing to screen portfolios for social responsibility as outlined in the following section.

SOCIALLY RESPONSIBLE INVESTMENT PRINCIPLES

(Mirroring Michigan Catholic Conference)

The following principles will serve as guidelines for investment screening:

1. **Preserve the Sacredness of Human Life**
Companies that produce pharmaceuticals or products which are contraceptive, abortive and which damage the health of the mother or children act contrary to this principle and should be avoided.
2. **Assure Human Rights through Fair Employment Practices, especially for Minorities and Women**
Companies that discriminate on the basis of race or sex, pay unjust wages or do not allow just participation in the work place act contrary to this principle.
3. **Promote International Justice, the Development of Peoples, a Just International Economic Order and Human Rights**
Companies that exploit the workers or resources of poor countries, make poor peoples more dependent or collaborate with repressive regimes act contrary to this principle.
4. **Exercise Prudent Stewardship of the Environment and Natural Resources**
Companies that produce unsafe energy, pollute the environment and dispose of hazardous waste in a way that endangers life act contrary to this principle.

DELEGATION OF AUTHORITY

The Board of Directors and Finance Committee will not reserve any control over investment decisions, with the exception of specific limitations described in this statement of investment policy and any future addendum. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not felt that the limitations will hamper the managers, they should request modifications which they deem appropriate.

PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Management Consultant shall be compiled at least semi-annually and communicated to the Finance Committee and Investment Sub-Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Finance Committee intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

The Investment Management Consultant shall review Investment Managers regularly with the Finance Committee and Investment Sub-Committee regarding changes in performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Finance Committee and Investment Sub-Committee plan to review investment policy at least annually. Upon recommendation from the Finance Committee, the Board retains the right to make amendments to the Investment Policy.