



5 Healthy Towns Foundation
Board of Directors
~ February 25, 2019 ~
5:30 – 8:30 pm

AGENDA

S. Broshar	S. DeVol	N. Graebner	D. Lance	C. Vaughn
P. Conlin	K. Dombkowski	A. Heydlauff	N. O'Brien	J. Wallace
K. Cousino	C. Dresch	A. Kittendorf	R. VanBogelen	

Any items in blue font are protected by attorney-client privilege and must not be shared with anyone outside our Board of Directors and CWF attorneys.

- 1) **Call to Order**
- 2) **Approval of Minutes from January 28, 2019 meeting***
- 3) **Consent Agenda***
 - a. February CEO Report
 - b. January 15th Finance Committee minutes
- 4) **Strategic Planning**
 - a. Multi-sector coalition implementation plan* – UM School of Public Health Capstone students
 - b. [City of Chelsea settlement offer](#)
- 5) **Strategic Impact**
 - a. Multi-year intervention evaluation – Kevin Dombkowski
- 6) **Operations**
 - a. Investment and spending policy*

[Internet – Shealthytownsguest and Password – 5HFwellness]

- * Material on website
** Material available at the meeting

Our mission is to cultivate improvements in personal and community wellness.

Updated 2/22/2019 1:58 PM



***5 Healthy Towns Foundation
Board of Directors***

January 29, 2018

MEETING MINUTES

Any items in blue font are protected by attorney-client privilege and must not be shared with anyone outside our Board of Directors and 5HF attorneys.

Board Present: Scott Broshar Kevin Dombkowski Anne Kittendorf Jeff Wallace
Patrick Conlin Cindy Dresch Doug Lance
Kasie Cousino Nancy Graebner Nicole O'Brien
Sally DeVol Amy Heydlauff Ruth VanBogelen

Absent: Coy Vaughn

Staff Present: Sheila Gillman,
Ashley Tomasi, Matt Pegouskie for strategy development

1) Call to Order: 5:42 p.m.

2) Approval of Minutes

- a. Following a motion and second, minutes from November 26, 2018 meeting were approved.

3) Consent Agenda

- a. Following a motion and second, consent agenda was accepted and approved.

4) Resources

a. Treasurer's report

- a. C. Dresch provided the Funds Balance oversight projections and potential opportunities to improve our long-term financial stability. The Finance Committee will continue to pursue opportunities that may include

- 1. Alternative management of Manchester and Stockbridge Wellness Centers
- 2. Identifying partners for Chelsea and Dexter Wellness Centers, with a likelihood to turning them into community centers
- 3. Selling SMOC, preferably to UMRC
- 4. Selling Chelsea and/or Dexter Wellness Centers

5) Strategy Impact

- a. City of Chelsea did not accept our settlement offer. They sent a counter offer via. J. Faycurry.

- a. They will not detail how money they don't return to us was used for 5HF mission-related spending
- b. They would like an addition one-half to one year of tax revenue
- c. They will not agree they will leave us tax-exempt unless there is a change in the law or material changes in our operations. They also will not agree to refrain from suing Power Wellness for taxes.

Action: After a motion and second the board agreed to

- *Deny the counter offer.*
- *Instruct J. Faycurry to make clear to the City of Chelsea's attorney we will not compromise on detailed mission spending or agreement we are tax exempt and Power Wellness isn't taxable.*
- *To make no further offers in the short-term.*
- *Allow A. Heydlauff to negotiate, if an opportunity arises, to leave up to 6 months of additional tax revenue with the City of Chelsea, if they demonstrate it was used for 5HF mission-related spending.*

The vote was 9-4 with four members preferring not to allow any additional funds to remain with the City.

6) Strategy Development – facilitated by Nicole O'Brien

- a. Following a short review of our discussion from November, 2018 and additional discussion at this meeting, the BOD decided
 1. To pursue a multi-sector coalition strategy for a single area of need, in an effort to bring about true system change around that area of need.
 2. Identify a need that spans communities and may galvanize multiple sectors
 - a. Identify the need through conversations with community leadership
 - b. Include SJMC, Michigan Medicine and all local school districts
 3. Engage organizational leaders in the coalition to assure people at the table have the authority to bring about true change in policy, practice and resource commitments.
 4. Seek ways to integrate this approach with our existing strategies (WC and coalitions)

Recorded S. Gillman

Approved by:

Kevin Dombkowski, Secretary

Date

Chief Executive's Report

February 2019

(The section written in blue font is confidential information, protected by attorney-client privilege.)

I. Strategic Development

- a. On Tuesday (2/26) Nicole and I are talking to representatives from ReThink Health. I thought it was time to engage a board member in the ReThink conversations. I want additional critical questions to surface.

Later that same day I am speaking with two women who are central to a seven county health and economic initiative in the Bay City area. Their existing 'super-coalition' (which I've begun to refer to as a multi-sector coalition - MSC) has been very effective in system change work. I have to confess, when I read the case study of their process I realize we have significant infrastructure work to do before we cast off a MSC.

Then on Wednesday (2/27) I am meeting with two representatives from the Michigan Health Endowment Fund to test the waters for funding of several projects I have in mind (multi-sector coalition support, tech support for various coalitions and financial support for our data needs).

In the meantime, Ashley is working with the four students from the School of Public Health on community readiness surveying and later a 'map' for instituting a MSC.

Several of our BOD have been selected to participate in the students survey re: a MSC (Ruth, Kevin & Anne – we want to squeeze every last ounce of time/talent/treasure before they go; Nicole, Cindy, Sally and Pat).

II. Strategic Impact

- a. For quite some time CSI has been discussing interventions that require significant funding over multiple years because of their impact on the Coalitions. We selected SRSLY as an example of such an intervention and began an in depth study. As we started to dig we discovered additional focus on SRSLY would be required. CSI established a small work group, including Kevin, Susan Morrel-Samuels (community member and public health researcher), Ashley, Matt and me, to further explore. At the February meeting Kevin will present some of our findings and next steps as a result of the lengthy, detailed work done by the CSI and the work group.

- b. *Connected's* spring issue is well underway and we have some fun articles including one on foraging for food. My mom was a forager of sorts. We ate water cress out of local streams and fiddleheads in the spring. I can identify things like wintergreen wild strawberry when hiking. And if you haven't ever had a dandelion greens salad – well, lucky you, in my opinion. But back to 5HF...

I encourage you to identify potential advertisers and get their names to us. If you tell them about the magazine (it lands in 29,000 area mailboxes) that may improve our chance of garnering an advertiser.

- c. We have slowly introduced Project Healthy Schools in our 5 school districts. Dexter and Grass Lake are currently using the curriculum and doing special activities associated with PHS. Stockbridge is likely to come on board in the fall. This is an excellent example of our connections (through UM MHealthy and an old work colleague of mine) leading to healthy change for which we are not financially or operationally responsible. This, folks, is the culture change we've been chasing.
- d. Kasie served as our Governance Fellowship mentor this year. Her fellowship student (Emmeline Cordozo) is coming to our BOD in March with another school health project that checks quite a few of our boxes.

- e. It must be school health month, because I was invited to join Chelsea School's Wellness Committee. They are currently focused on mental/behavioral health. I was also asked to join a Chelsea district bond development committee. I joined in this work because I care about what happens in the district and because decisions of other major organizations in the service area can be critical to our decisions.
- f. And to continue the school system theme, Jeff W. and I are meeting with the Manchester superintendent just before the board meeting on Monday. We will discuss a couple ideas, including one or two around the Manchester Wellness Center, perhaps.
- g. [We have another settlement offer from the City of Chelsea. We will discuss on Monday evening, assuming they will extend their deadline to Tuesday \(it is currently Monday\).](#)

Quotes:

Hi Amy,

I want to express my sincere gratitude and that of our entire board for providing the new offices to HWPI. They are beautiful! You have been an essential partner, enabling HWPI to fulfill its mission. It has also been a pleasure to work beside you and your team. Thank you! If it OK with you, we would like to express our thanks to you on social media. Please let me know. Additionally, we always have the 5H logo beside ours and those of our key partners (DNR, WCPARC, etc.) on our signage and promotional materials. I am fully aware that you are not supporting us for the recognition, but if there is another way that you would like your contribution recognized, we are happy to do so.

Susan Faulkner, ED, HWPI

Fix systems, not symptoms. Amy Heydlauff



5 Healthy Towns Foundation
Finance Committee Meeting Minutes
January 15, 2019

Present: Cindy Dresch, Kasie Cousino, Sally DeVol, Jeff Wallace, Mark Royce, Scott Broshar, Robert Stephens, Ann Sinelli, Amy Heydlauff

Absent:

1. **Call to Order:** 5:06 p.m.
2. Approval of Minutes: Motion to approve October 16, 2018 minutes made, seconded and passed.
3. Financials
 - a. Dec. 2018 Balance Sheet reviewed. No discussion.
 - b. Dec. 2018 Income and Expense (compared to budget) reviewed
 1. Interest income from property tax refund will be accounted for in ____
 2. UM Family Practice lease has been overpaid for nearly four years due to contract talks and challenges identifying the appropriate person at UM to assist in changing payments. A person has been identified and 5HF sent UM a check for approximately \$6000. UM will hold further lease payments until Sept. 1, 2019 in order to zero out the overpayments.
 3. We did not receive a Schiff Hardin invoice in Dec. so there will be outstanding 2018 legal fees.
 - c. December 2018 Russell Account
 1. To break even we will need a return of 9% for 2019 (if we don't divest at all, which is unlikely)
 2. May be time to move some investments out of hedge funds, which have not performed as well as expected, even in down markets.
 - a. Consult with Darrin Hogshead, Russell
 - b. Consider moving to funds invested in hedges to fixed income or REITS, although we may have enough local real estate to make REITS less attractive. Moving it to fixed income will give us a more traditional 70% S&P and 30% fixed portfolio.
3. FBO review
 - a. If we are able to reduce expenses by property taxes and legal fees we will still deplete our investments in approximately 25 years (assuming no changes to the organization which is an unlikely assumption but the one we have). The following options will require full BOD discussion.
 - a. Consider alternative management structure for M & SWC
 - b. Consider partners for CWC with WCPR being our most likely partner if they are interested
 - c. Consider selling DWC

- d. Prefer not to decrease coalition support without an alternative plan (see current BOD planning)
- e. Consider selling SMOC with UMRC being the most likely buyer

Action: A. Heydlauff will contact D. Hogshead to invite him to the Feb. finance committee meeting to discuss hedge fund performance and other non-correlated investment options.

A. Heydlauff will also contact Swisher Realty for an off-the-record conversation about DWC's value. And speak again with Coy Vaughn about WCPR's interest in making CWC a community center.

A. Heydlauff will develop a business plan draft for managing M and SWC's outside our Power Wellness Contract.

C. Dresch will give a Finance Committee report to the BOD.

4. SMOC Accounting

- a. Per documents provided by Rehmann, because both entities (5HF and SMOC) are non-profit
 - 1. We can use either a cash or equity method of accounting, depending on our expected use of the asset.
 - a. Keep it off our balance sheet and include a footnote in year-end reporting
 - a. this assumes we will not invest in SMOC, nor divest (take dividends)
 - b. if our intent for the property changes we will need to change our current method of accounting
 - b. Add the current value (possibly \$2,000,000) to our Balance Sheet
 - a. this improves our performance on paper
 - b. it allows us to take dividends
 - c. it would require a change in our method of accounting for the property
 - c. Because we have the flexibility to use either method, the Finance Committee recommends we continue our current method and keep this off the Balance Sheet, accounting for it in a footnote.

5. Low or no-interest loans to for and not-for-profit organizations

- a. There were two inquiries into the potential of 5HF loaning to organizations who are engaged in activities that help to meet our mission.
- b. Finance Committee members are not eager to make loans at no or low interest considering our own financial picture. However, if a serious inquiry materializes we will give it consideration from a mission, fiduciary and legal point of view.

Recorded by: Amy Heydlauff

Cindy Dresch
Treasurer, 5 Healthy Towns Foundation

Date

Multi-sector Coalition Implementation Plan UM School of Public Health Capstone Students

Progress Update

2/25/19



Who are we?

Chanell Heslop

- From: Modesto, CA
- B.S., UCLA
- Fun fact: Built a 10 foot wood dining table



Alex Dulin

- From: Royal Oak, MI
- B.A., University of Michigan
- Fun fact: Used to work for the YMCA



Sunil Gollamudi

- From: Memphis, TN
- B.A., Case Western
- Fun fact: Used to be able to juggle (can't anymore)



Rachel Tisdale

- From: West Bloomfield, MI
- B.A., Emory University
- Fun fact: Hates chocolate



The “Super- Coalition”



Goal:

The creation of a super-coalition will bring together community stakeholders to address the most pressing issue in our region utilizing a broad coordinated approach

The participants on the super-coalition will provide resources and expertise that can benefit the initiatives of the individual coalitions while improving the lives of all citizens in the overall region

Letter of Engagement

1) Process

1) Goals

1) Timeline



February 6, 2019

Dear 5 Healthy Towns Foundation,

Thank you for the opportunity to assist 5 Healthy Towns Foundation with its strategic planning efforts. We look forward to working closely with you and your team onsite and remotely. This letter defines our mutual understanding of the project objectives, deliverables, scope, approach and timing, and resources required.

Background

5 Healthy Towns Foundation (5HF) is a Chelsea based organization comprised of 5 wellness coalitions and 4 wellness centers. 5 Healthy Towns was formed after Chelsea Community Hospital merged with Saint Joseph Mercy Health System. SJMHS provided \$25,000,000 to start a foundation to fund initiatives to improve the health and wellness of the communities the hospital serves (Chelsea, Dexter, Grass Lake, Manchester and Stockbridge). The fund is overseen by the 5 Healthy Towns Foundation Board.

The vision for 5 Healthy Towns is for the people in the five communities they serve to eat better, move more, avoid unhealthy substances, and connect with others in healthy ways. 5HF operates by using the endowment to support local health initiatives brought forth by community wellness coalitions and utilizing fees generated from the wellness center to reinvest in the community.

Objectives

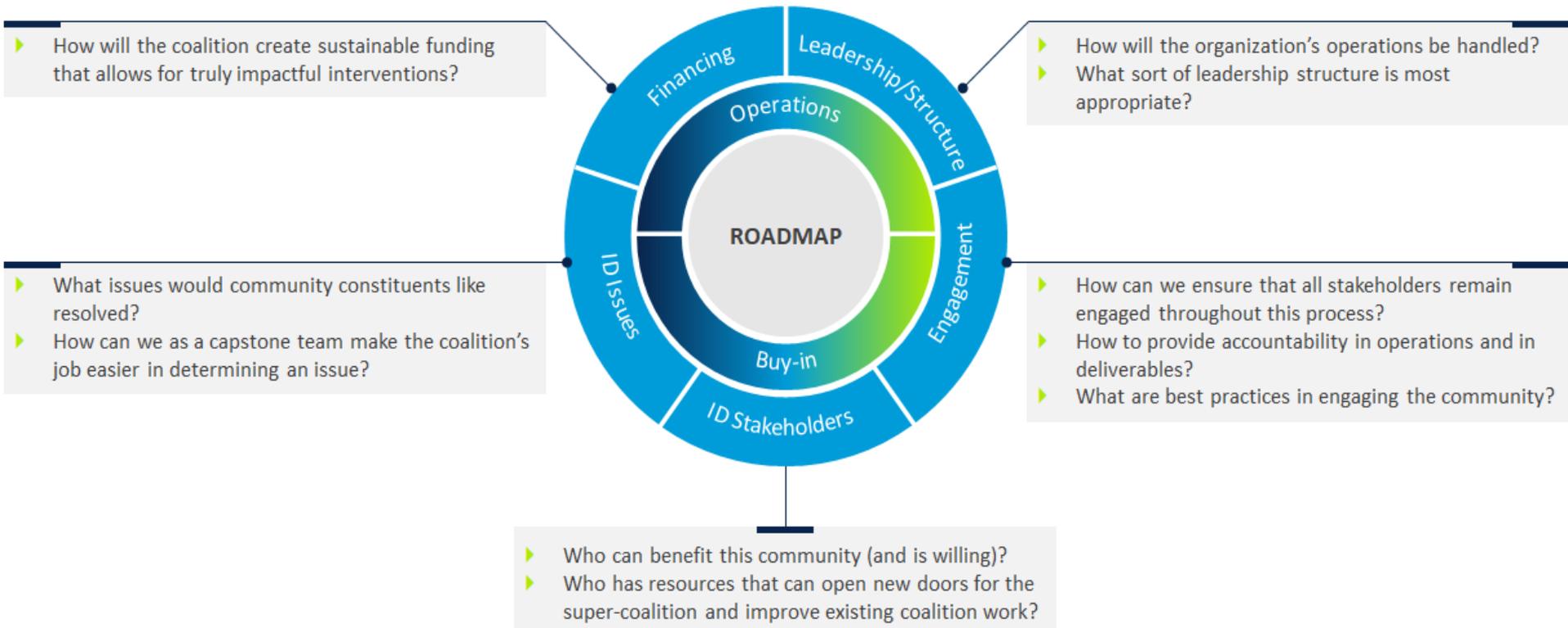
The team will identify and assess strategic opportunities for 5 Healthy Towns Foundation to gain and sustain long-term impact by:

- Developing a roadmap for creating a super coalition*, populated by leaders from multiple sectors
- The super coalition will include participation from all 5 coalitions and will have a defined focus area yet to be determined by the new coalition
 - If need be, we will determine a focus if it will help our project focus
- Identifying resources to guide the creation and governance structure of a multi-sector coalition of community stakeholders to prioritize and develop interventions to address pressing health issues in the community
- Creating a list of key partners in the community 5HF can develop
- Exploring revenue streams and structure to fund the initiative

Deliverables

- Roadmap for the creation of multi-sector coalition plan implementing new Foundation goal
- Resources for implementation
- Presentation and Report to the Board
- Preliminary findings and steering discussion

Our Roadmap to “The Super-Coalition”



Our Process & Our Progress



Research:

- Reviewing national models for community engagement and transformation (ReThink Health)
- Progress: Ongoing and influenced by insights gained in interviews



Interviews:

- Sessions will be with board members, coalition members, and potential stakeholders
- Progress: Draft of interview questions. Interviews are being scheduled March 11th-April 12th



Mapping:

- Strategies
- Progress: Ongoing, based on data from research and interviews

Questions?

Investment Policy

for

5 Healthy Towns Foundation

<i>Title: Investment Policy</i>				<i>Length: 10 pages</i>		
<i>Approved</i>	<i>08/2009</i>	<i>09/21/10</i>	<i>9/23/13</i>	<i>11-23-15</i>		
<i>Reviewed</i>	<i>08/2010</i>	<i>09/2013</i>	<i>09-14-15</i>	<i>Fall 2016</i>	<i>Feb. 19, 2019</i>	
<i>Revised</i>		<i>09-12-13</i>	<i>10-15-15</i>		<i>Feb. 19, 2019</i>	

I. PURPOSE

This policy statement provides a framework for the management of the non-charitable assets of 5 Healthy Towns Foundation (5HF). Its purpose is to assist the Board of Directors in effectively supervising and monitoring the investments of the asset pool (“Pool”). The following investment objectives and directions are to be judged and understood in light of that overall sense of financial and mission stewardship. In that regard, the basic investment standards shall be those of a prudent investor as articulated in applicable state laws. The guidance outlined in this policy is designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while at the same time setting forth reasonable risk control parameters to ensure prudence and care in the execution of the investment program.

This policy will establish appropriate risk and return objectives in light of the Pool’s risk tolerance and investment time horizon. These objectives, as well as asset allocation guidelines, suitable investments, and responsibilities of the investment manager(s), are outlined below.

II. OBJECTIVES OF THE POOL

It is the general policy of 5 Healthy Towns Foundation to invest the Pool to achieve growth in principal value over time sufficient to preserve the purchasing power of the Pool, thus protecting the Pool against inflation.

III. PERFORMANCE GOALS

The performance goals of the Pool shall be defined as follows:

- The absolute objective of the Pool is to seek an average total annual return net of fees that exceeds the average annual spending/payout rate of 5 percent, plus inflation. The inflation measure is the U.S. Bureau of Labor Statistics consumer price index (CPI) (<http://www.rateinflation.com/inflation-rate/usa-historical-inflation-rate>). This objective shall be measured over an annualized, rolling 5-year period; the intent of this objective is to preserve, over time, the original principal value of the assets as measured in real, inflation adjusted (CPI) terms.
- The relative objective of the Pool is to seek competitive investment performance versus appropriate capital market measures, such as securities indices. This objective shall be measured primarily by comparing investment results, over rolling annualized three-year and five-year time periods.
- The comparative performance objective of the Pool is to achieve
 - A total rate of return that is above the median performance of a 75% equity, 25% bond portfolio.
 - Performance in excess of market indices weighted to reflect the policy asset allocation of the pool as measured quarterly

The Pool has a long-term, indefinite time horizon that runs concurrent with the endurance of the institution, in perpetuity. As such, the Pool can assume a time horizon that extends well beyond a normal market cycle (four years), and can assume an above-average level of risk as measured by the standard deviation of annual

5 Healthy Towns Foundation Investment Policy

returns. It is expected, however, that both professional management and sufficient portfolio diversification will smooth volatility and help ensure a reasonable consistency of return.

The assets will be managed on a total return basis. While the institution recognizes the importance of preservation of capital, it also adheres to the principal that varying degrees of investment risk are generally rewarded with compensating returns. It is not a breach of fiduciary responsibility to pursue riskier investment strategies if such strategies are in the Pool's best interest on a risk-adjusted basis. Risk management of the investment program is focused on understanding both the investment and operational risks to which the Pool is exposed. The objective is to minimize operational risks and require appropriate compensation for investment risks which the Pool is willing to accept.

IV. INVESTMENT PROGRAM STRATEGY

To achieve its investment objectives, the Pool shall be allocated among a number of asset classes. The purpose of allocating among asset classes is to ensure the proper level of diversification with the fund. Due to the fluctuation of market values, positioning within a specified range is acceptable and constitutes compliance with the policy. It is anticipated an extended period of time may be required to fully implement the asset allocation policy, and periodic revisions will occur.

The following target asset class table defines the fund's target asset allocation, the minimum and maximum allocation limits of each asset class.

Target Long-Term Asset Allocation Table

INVESTMENT STRATEGIES	ASSET CLASS	MINIMUM	TARGET	MAXIMUM	BENCHMARK
Growth Portfolio	Multi-Asset Core Plus	65.0%	70.0%	85.0%	Multi-Asset Core Plus Composite Index
Real Estate	RIIFL REEF	0.0%	10.0%	15.0%	NFI-ODCE-EQ-E&F
Capital Preservation Portfolio	Core Fixed Income	10.0%	20.0%	25.0%	Barclays US Aggregate Index
Policy and Traditional Portfolio Benchmarks					
POLICY BENCHMARK	70% Multi-Asset Core Plus Composite index, 10% NFI-ODCE-EQ-E&F, 20% Barclays US Aggregate Index				
TRADITIONAL BENCHMARK	70% S&P 500, 30% Barclays Aggregate Index				
	Multi-Asset Core Plus Composite consists of 75% MSCI ACWI IMI 50% USD Hedged Net (50% hedged), 5% S&P Global Infrastructure Index (Net), 4% FTSE EPRA/NAREIR Developed Real Estate Index, 4% Bloomberg Commodity Index, 5% BofA ML Global High Yield 2% Constrained Index, 5% JP Morgan EMBI Global Diversified Index, 3% Barclays US 1-3 Month Treasury Bill Index.				

5 Healthy Towns Foundation Investment Policy

The investment returns achieved by the investment manager(s) will be compared to the investment returns achieved by a policy benchmark. The policy benchmark will consist of the weighted returns of the target investment strategies representative index.

The general policy shall be to diversify investments among growth, return enhancement/diversifying and capital preservation so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. The asset allocation policy will be implemented through the use of qualified external professional investment managers. The external investment managers will have full discretion and authority for determining investments, security selection and timing subject to Policy guidelines and any other guidelines specific to their portfolio.

V. SPENDING

Community investment (spending) will meet regulatory requirements. Non-charitable investment income available for spending is determined using a rolling average value of investments, on a total return basis, of up to five years of immediate past quarters. Spending decisions will reflect the goal of maintaining the real value of the original principal.

Spending greater than spending defined in this spending policy statement will require 80% approval by the Board of Directors. In such circumstances the Board of Directors may elect to adjust the value of the principal to account for the greater spending.

Spending in excess of the 5 percent regulatory requirement substantially increases the risk we will not achieve the Pool's performance goals.

VI. REBALANCING

The purpose of rebalancing is to control portfolio risk and maintain the policy asset allocation within the targeted ranges. The Pool will be rebalanced as necessary, making use of spending payments to the extent possible and considering the transaction costs involved in the rebalancing. Tactical rebalancing, which represents portfolio positioning to opportunistically capture short term market anomalies, is permissible as long as the trades do not violate the stated ranges for each asset class and do not cause undue expense to the portfolio.

Under the current agreement, the investment manager will execute rebalancing transactions. These rebalancing shifts may be tactical in nature and must fall within the specified asset allocation ranges as defined by this statement. The Asset Allocation Certificate and Rebalance Authorization ("Certificate") sets forth the allocation of the assets in the investment account in accordance with the terms of the agreement between the Foundation and our Investment Advisor. The Certificate specifies the investments and rebalancing policy in place, which may be amended over time as agreed upon by the Committee and Investment Advisor. The Investment Advisor will be entitled to rely on this Certificate until such time as a replacement Certificate is received by the Investment Advisor. The Investment Manager may not execute rebalancing that would result in a new investment in an illiquid investment program or an allocation outside of the guidelines in this policy statement without the prior approval of the Finance Committee.

VII. INVESTMENT POLICIES AND GUIDELINES

The investment policies, guidelines and restrictions presented in this policy statement serve as a framework to help the Pool and its investment manager(s) achieve the investment objectives at an acceptable level of risk. The Pool will be diversified both by asset class and within asset classes. Within each asset class, securities will be diversified among economic sector, industry, quality, and size. The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total Pool. As a result, the risk level associated with the portfolio investment is reduced.

VIII. GROWTH INVESTMENT STRATEGY

The role of growth investments is to provide diversified investments including but not limited to Global Equities [domestic, international development, emerging markets, liquid real assets such as listed infrastructure and Real Estate Investment Trusts (REITs), return seeking fixed income such as high yield and long/short equity strategies] and achievement of returns in excess of passive indexes through selective use of active investment strategies and investment managers where active management is believed appropriate.

The objectives are to 1) provide total return greater than the designated growth composite benchmark 2) potentially consider peer-relative performance, particularly when performance deviates from market indices and 3) Achieve results over the long term measure (a full market cycle).

IX. RETURN ENHANCING/DIVERSIFYING INVESTMENT STRATEGY

The role of return enhancing and diversifying investments is to provide as-needed opportunities otherwise limited or excluded in the Growth portfolio. These may include but are not limited to absolute return fixed income, private real estate and hedge funds, all aiming to further diversify the portfolio while improving return, or decrease risk when combined with Growth and Risk Reducing investments, or both.

Return enhancement/diversification investment objectives are 1) provide a total return greater than the designated benchmark(s) 2) potentially consider peer-relative performance, particularly when performance deviates from market indices and 3) Achieve results over the long term (measured over a full market cycle).

X. CAPITAL PRESERVATION INVESTMENT STRATEGY

The role of capital preservation investment strategies is to reduce risk with fixed income including but not limited to domestic fixed income, global fixed income and absolute return bond strategies. Growth and return enhancement/diversifying strategies may also play a role in capital preservation. Capital preservation will have lower correlation to equity market beta, lower volatility and or greater downside protection in stressed markets. Capital preservation will enhance total risk/return through changing market conditions and macro environments. It will also maintain a diversified exposure and achieve returns in excess of passive indexes through use of active managers and strategies.

Objectives for capital preservation include 1) provision of total return greater than the designated benchmark and provide effective diversification against market beta risk and stable cash flow 2) Achieve results over the long term (measured over a full market cycle).

XI. CASH AND EQUIVALENTS

The Investment Manager may invest in the highest quality commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the Fund's principal value. Commercial paper assets must be rated at least A1 or P-1 (by Moody's or S&P). No more than 5% of the Pool's total market value may be invested in the obligations of a single issuer, with the exception of the U.S. Government and its agencies.

Un-invested cash reserves shall be kept to a minimum; short term, cash equivalent securities are usually not considered an appropriate investment vehicle for investment. However, such vehicles are appropriate as depository for income distributions from longer term investments, or as needed for temporary placement of funds directed for future investment to the longer term capital markets. Also, such investments are the standard for contributions to the current fund or for current operating cash.

Within the above guidelines and restrictions, the Manager(s) has complete discretion over the timing and selection of cash equivalent securities.

XII. ROLES AND RESPONSIBILITIES (Also see addendum)

Duties of the Board of Directors

A subcommittee of the Board of Directors, or Finance Committee, may be established to focus on implementing and monitoring the Pool in accordance with the guidelines outlined in this policy statement.

In the management of the Institution's assets, the Board of Directors will approve the Investment Policy developed by the Finance Committee for the investment program. The Board of Directors in its sole discretion can delegate its decision-making authority to the Finance Committee regarding the investment program within the guidelines established by this policy statement. The following are the duties and responsibilities delegated by the Board of Directors to the Finance Committee:

- ❑ Review, with assistance from 5HF Administration and the Investment Advisor, at least quarterly, the portfolio's investment structure and financial performance. The review will include recommended adjustments to the long-term, strategic asset allocation when adjustments are warranted.
- ❑ Select, retain, and terminate Investment Advisors as necessary. Conduct Advisor review and selection, performance review, asset allocation, and topical research. The comments and recommendations of the Advisors will be considered in conjunction with other available information to aid the Finance Committee in making informed, prudent decisions.
- ❑ If necessary, recommend changes in 5HF's spending practices to be approved by the Board of Directors. Spending practices are outlined in this Investment Policy.

The Finance Committee will report regularly to the Board on the financial performance of the portfolio and significant committee decisions related to the management of the portfolio.

Duties of 5HF Administration and Staff

In the management of 5HF's assets, Administration will:

- ❑ Implement the investment policy as directed by the Finance Committee.
- ❑ Execute any documents necessary to facilitate implementation of this policy, including but not limited to contracts with consultants and investment managers for providing services.
- ❑ Review the Portfolio's investments at least monthly to ensure that policy guidelines continue to be met. Administration or staff shall monitor investment returns on both an absolute basis and relative to appropriate benchmarks. The information for these reviews shall come from outside advisors, the custodian, and the Institution's investment advisor and managers.
- ❑ Raise timely concerns with the Finance Committee and take appropriate action under the direction of the Finance Committee if investment objectives are not being met or if policies and guidelines are not being followed.
- ❑ Administer the investments in a cost-effective manner. These costs include, but are not limited to: management, consulting and custodial fees, transaction costs and other administrative costs chargeable to the investment pool.
- ❑ Provide overall monitoring of Investment Advisor and Investment Manager, and ensure that they conform to the terms of their contracts and that their performance monitoring systems are sufficient to provide Administration with timely, accurate and useful information.

Duties of Investment Advisor

The Committee has hired Russell Investments as Investment Advisor to advise and assist the committee in the discharge of its duties and responsibilities. The Investment Advisor will have responsibility to select, retain and terminate Investment Managers or sub-advisors as necessary to execute the strategies of the investment program. The Investment Advisor will have discretion to develop and execute the investment program within the constraints of the guidelines outlined in this Policy. In its advisory capacity, the Investment Advisor will:

- ❑ Assist in establishing investment policies, objectives, and guidelines.
- ❑ Know and comply with the policies as outlined in this document. It is Investment Advisor's responsibility to identify policies that may have an adverse impact on performance, and initiate discussion with 5HF Administration or staff toward possible improvement of those policies.
- ❑ Recommend investment funds in accordance to the Policy and periodically review such funds.

5 Healthy Towns Foundation Investment Policy

- ❑ Rebalance the portfolio to maintain the proper diversification within the ranges approved by the Finance Committee and in accordance to the guidelines established in the rebalancing policy of this document
- ❑ Review 5HF's investments at least monthly to ensure that policy guidelines continue to be met.
- ❑ Monitor investment returns on both an absolute basis and relative to appropriate benchmarks. Provide reports to Administration and the Committee on a quarterly basis. Also included will be a complete accounting of all transactions involving the Institution during the quarter, together with a statement of beginning market value, fees, capital appreciation, income and ending market value, for each asset class.
- ❑ Report performance in accordance to the Pool's Performance Goals as highlighted at the beginning of this policy.
- ❑ Inform the Finance Committee regarding any qualitative change to investment management or strategies.
- ❑ In addition, the Investment Advisor shall assure that each investment manager and each investment fund selected and employed by them for use in the Pool will, at a minimum:
 - Comply with "prudent expert" standards.
 - Maintain thorough and appropriate written risk control policies and procedures. Oversight of compliance with these policies must be ongoing and independent of line investment activity.
 - Reconcile every month accounting, transaction and asset summary data with custodian valuations, and communicate and resolve any significant discrepancies with the custodian.
 - Maintain frequent and open communication, on all significant matters pertaining to the investment policy, including, but not limited to, the following:
 - Major changes in the Investment Manager's investment outlook, investment strategy, investment process, subadvisors or portfolio structure;
 - Significant changes in ownership, organizational structure, financial condition or senior personnel;
 - All pertinent issues which the Investment Manager deems to be of significant interest or material importance;

ADDENDUM

Investment &

Foundation

Investment

5 Healthy Towns Foundation Investment Policy

<u>Task</u>	<u>Board of Trustees</u>	<u>Finance Committee</u>	<u>Administration</u>	<u>Advisor</u>
Hire Investment Advisor	Approve	Vet and recommend to the Board	Research and provide information to Finance Committee	
Develop the Investment Policy the Foundation	Review & Approve	Develop	Develop	Advise & assist in development
Establish Asset Allocation	Approve	Review data & options, recommend To the Board		Analyze and advise
Select Managers and/or Funds to Meet the Asset Allocation and Return Objectives		Monitor	Monitor	Hire, monitor, recommend, fire, replace
Rebalance Portfolio		Monitor	Monitor	Implement
Investment Results Oversight	Review	Monitor	Monitor	Analyze and Report