New York State Society of CPAs

Investment Policy Statement

December, 2016

Purpose

The purpose of this Investment Policy Statement (IPS) is to establish guidelines for the investable assets (the Portfolio) held by The New York State Society of CPAs (the “Society” or “NYSSCPA”). This document shall apply to the Investment Subcommittee as well as all Investment Consultants and/or Investment Managers hired to assist with the management of the Portfolio.

Introduction

This Statement of Investment Policies and Objectives (the Statement) sets forth guidelines for the management of investment assets held by the New York State Society of CPAs. Specifically, the Statement:

- Details responsibilities of the NYSSCPAs’ Investment Subcommittee,
- Identifies an appropriate return objective and risk posture for the assets,
- Defines an asset allocation policy and investment manager structure,
- Outlines general investment guidelines for the investment manager(s) regarding permissible assets, diversification, quality, etc., and
- Establishes criteria for evaluating the performance of the investment manager(s)

Investment Responsibilities

Through the Committee Action Plan, the Board of Directors of the NYSSCPAs has assigned to the NYSSCPAs’ Finance Committee and Treasurer of the Society, the responsibility for investing the assets prudently, effectively and in accordance with applicable laws. The NYSSCPA Finance Committee has established a subcommittee to assist the Finance Committee in the fulfillment of this action plan item.

Risk Determination

To determine a strategic asset allocation policy for the Society’s invested assets, the Investment Subcommittee considers objectives and factors that affect the asset allocation.

The primary objectives include to:

- Have funds available should management and the board of directors, at the time, deem it necessary to move the Society offices at the end of the current lease
• Have funds available for major capital replacements / upgrades should the budget not be sufficient to acquire from current revenues
• Have funds available to meet unexpected financial requirements (emergency fund) without having to borrow money to satisfy these obligations
• Enhance the long range growth of the NYSSCPA, and
• Provide for a reasonable rate of return for funds based on current market conditions

The primary assessment factors affecting asset allocation include:

• Cash flow characteristics of the Society
• Spending flexibility of the Society
• Financial characteristics such as short-term and long-term needs of the Society

**Asset Allocation Policy**

In line with the Society’s return objectives and risk parameters, the mix of assets should be maintained as follows (percentages are of market value of the Society’s investments):

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum</th>
<th>Target</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Equity</td>
<td>25.00%</td>
<td>38.00%</td>
<td>70.00%</td>
</tr>
<tr>
<td>International Equity</td>
<td>5.00%</td>
<td>12.00%</td>
<td>20.00%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>30.00%</td>
<td>48.00%</td>
<td>70.00%</td>
</tr>
<tr>
<td>Cash</td>
<td>0.00%</td>
<td>2.00%</td>
<td>10.00%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asset Class Totals</th>
<th>Minimum</th>
<th>Target</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Equity</td>
<td>30.00%</td>
<td>50.00%</td>
<td>70.00%</td>
</tr>
<tr>
<td>Total Fixed Income</td>
<td>30.00%</td>
<td>50.00%</td>
<td>70.00%</td>
</tr>
</tbody>
</table>

The allocations to each asset class and to investment styles within asset classes are expected to remain stable over most market cycles.

Since capital appreciation (depreciation) and trading activity in the portfolio can result in a deviation from the asset allocation, the asset allocation should be monitored and rebalanced to the target allocations on a periodic basis.
The Investment Manager

The investment manager is responsible for keeping the assets in the allocation percentages as determined from time to time by the Investment Committee as well as meeting or exceeding the benchmarks for a return on the investment portfolio.

Investment Performance Benchmarks

Over a three-year period, the rate of return on the investments is expected to exceed the rate of return for the Benchmarks, net of investment fees. Also the rate of return should be sufficiently high to place the manager in the top 50% relative to a peer group of managers.

Investment Guidelines & Constraints

The assets may be invested in separately managed accounts, exchange traded funds or mutual funds taking administrative and other costs into consideration.

Bonds within the same industry shall not exceed 25% of the fund’s total value of the fixed income component at the time of purchase. For this purpose, banks, finance companies, gas utilities, electric utilities and telephone utilities are considered to be different industries. Notwithstanding the following provisions, the policy expressly permits 100% of the fixed income component of any fund to be invested in US Treasury securities.

The investment manager shall insure proper diversification and limit holdings in any one industry classification to 25% of the value of the equity component held in the equity portfolio at the time of purchase. The Investment Manager will recommend changes to the Strategic Asset Allocation as part of its annual review of the IPS.

There shall be no investment in derivatives, future or option contracts, money market securities rated less than A1 or P1, non-US dollar denominated securities or uncovered short sales.

No single common stock should exceed 5% of the equity portfolio value for a period of three consecutive months, based on market value, of common stock portfolio.

The fixed income portfolio should be invested in a diversified pool of Fixed Income investments including but not limited to Government, Municipal, Agency, and corporate issued debt with an average credit quality of “Aa” or better by Moody’s, “AA” or better by Standard and Poor’s or other equivalent ratings. The credit quality guideline shall not apply to comingled or pooled investment vehicles.

Prohibited Transactions

The investment manager may not engage in the following practices:

- Borrowing money,
- Purchasing securities on margin, making short sales,
- Pledging, mortgaging, hypothecating of any securities except for loans of securities that are fully collateralized,
- Purchasing or selling securities issued by the investment manager, its parent, subsidiaries or any other affiliates, and
- Purchasing or selling any derivative securities, including futures or options, under any circumstances.

### Monitoring, Review and Evaluation Process

The Investment Manager shall prepare quarterly performance reports, which include the Portfolio’s performance, asset allocation, and compliance with all applicable guidelines defined in this Investment Policy Statement. The Portfolio and individual managers shall be measured against the appropriate benchmarks.

The portfolio shall be reviewed at least quarterly to ensure that all managers remain in compliance with all applicable guidelines defined in this Investment Policy Statement. The necessity for rebalancing will be considered during the quarterly review process.

Using performance reports prepared by the investment manager(s), the Investment Subcommittee will monitor the performance results achieved by the Portfolio and the Individual Investment Manager(s) over a rolling three-year time horizon, measured on a quarterly basis, to determine whether:

- The investment manager performed in adherence to the investment guidelines set forth in this statement,
- The investment manager’s performance is consistent with its stated investment approach, and
- The investment manager performed satisfactorily when compared with the indices and peer groups indicated under Investment Performance Benchmarks

In addition to reviewing the investment managers’ performance, the Investment Subcommittee will reevaluate from time to time all the investments contained in this policy statement.

### Responsibilities of the NYSSCPA Board of Directors

With respect to their fiduciary responsibilities to oversee the investments of their organization, the NYSSCPA Board of Directors shall undertake the following:

- Review the periodic reports from the Investment Subcommittee about performance and recommendations for approval of any changes in investment policy or investment management,
- Review the annual report of investment performance for the current year which may be reported on a calendar year rather than a fiscal year basis,
- Respond to policy questions raised by the Investment Subcommittee, and
- Any other activities they deem prudent

### Responsibility of the Investment Manager
Within the guidelines set forth in this statement, the investment manager is engaged with full discretion and power to manage all investments of NYSSCPA.

The investment manager is expected to:

- Purchase and sell at their discretion, within the framework of policies and guidelines set by Investment Subcommittee and approved by the governing bodies of the NYSSCPA and without specific prior approval of individual transactions;
- Inform the Investment Subcommittee and the Staff of NYSSCPA about all investment transactions,
- Meet with the Investment Subcommittee quarterly to report on current portfolio status, performance, current investment policy, and future prospects,
- Provide the Investments Subcommittee and the NYSSCPA with reports at such frequencies as may be required,
- Meet or exceed the performance standards established by the Investment Subcommittee,
- Comply with all legislation and regulations as they pertain to the investment manager’s duties, functions and responsibilities as a fiduciary,
- Vote the proxies on the securities in accordance with the investment manager’s own guidelines and in the best interests of the NYSSCPA, and
- At least annually, provide the Investment Subcommittee with notification that the assets are invested consistent with policy guidelines stated herein.

**Delegation of Authority**

The Investment Subcommittee does not reserve any control over any individual investments. The investment manager will be held responsible for achieving the objectives established for the assets under their control.

The Investment Subcommittee shall be responsible for reviewing and approving fees charged by the investment manager or by any other person, including custodians, in connection with the investments.

If the investment manager believes the guidelines hinder the achievement of the stated objectives or feels that the objectives should be changed, the investment manager is obligated to recommend specific changes in writing for consideration by the Investment Subcommittee.

**Fiduciary Duty**

In seeking to attain the investment objectives set forth in the Investment Policy Statement, the Prudent Investor Rule shall apply, which states that the Investment Subcommittee shall engage Investment Consultants whereby the Investment Consultants are under a duty to the NYSSCPA to invest and manage the Portfolio as a prudent investor would, as described below:
1. The exercise of reasonable care, skill, and caution that is applied to investments not in isolation but in the context of the Portfolio and as part of an overall investment strategy, which should incorporate risk and return objectives reasonably suited to the Portfolio

2. In making and implementing investment decisions, the Investment Subcommittee has a duty to instruct the Investment Consultant to diversify the Portfolio unless, under the circumstances, it is prudent not to do so

3. In addition, the Investment Subcommittee must ensure the Investment Consultant:
   a. Conforms to fundamental fiduciary duties of loyalty and impartiality,
   b. Acts with prudence in deciding whether and how to delegate authority and in the selection and supervision of agents (i.e. Investment Consultants and/or Investment Managers), and
   c. Incurs only costs that are reasonable in amount and appropriate to the management of the Portfolio

The Prudent Investor Rule is based on the following five basic principles:

1. Sound diversification is fundamental to risk management and is therefore ordinarily required of the Investment Consultant

2. Risk and return are so directly related that the Investment Subcommittee has a duty to analyze and make conscious decisions concerning the levels of risk appropriate to the purposes, distribution requirements, and other circumstances of the Portfolio

3. The Investment Subcommittee has a duty to avoid fees, transaction costs, and other expenses that are not justified by needs and realistic objectives of the Portfolio

4. The fiduciary duty of impartiality requires a balancing of the elements of return between production of income and the protection of purchasing power

5. The Investment Subcommittee may have a duty as well as having the authority to delegate as prudent investors would

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