**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ BOY SCOUT COUNCIL**

**INVESTMENT OBJECTIVES AND POLICY**

**TOTAL FUND**

**Statement of Purpose**

The purpose of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Council's (the "Council") Investment Objectives and Policy is to identify the Council’s general investment philosophy, to establish investment objectives, policies and guidelines for the Council's assets, to establish specific investment performance review criteria and to establish procedures for monitoring and controlling the Council's investment portfolio.

**Bylaws**

The fund is governed by the Bylaws of the Council. The Bylaws contain all of the provisions concerning the Council, including the duties of the Trustees. The Council may amend the Bylaws from time to time, subject to the approval of the Boy Scouts of America.

**Investment Committee**

The Trustees of the Council act as the Council's Investment Committee. The Investment Committee has three functions which will be carried out in the Investment Committee's sole discretion.

1. To establish and change, as necessary, the Council's investment objectives and policies and asset allocation (Policy Mix.)

2. To establish and change, as necessary, investment guidelines for the Council's investment managers.

3. To select the Council's investment managers, monitor their investment performance and terminate investment managers as necessary.

**Investment Subcommittee**

The Trustees of the Council may appoint an Investment Subcommittee to assist the Investment Committee in fulfilling its responsibilities. The Subcommittee may monitor investment results, report to the Committee thereon, and make recommendations with respect thereto, all at such times and in such format as the Committee and the Subcommittee deem appropriate.

**Investment Managers**

Independent, professional investment managers will be hired, in a fiduciary capacity, to invest Council assets according to specific investment guidelines established for each investment manager.

**Spending Policy**

The Council's operating budget is partially funded with proceeds from the Council. Annual withdrawals for program spending are not expected to exceed 5% of the Council's investable asset value on an annual basis. The 5% spending objective will be determined based on the average market value of the Council's investable assets (excluding unproductive real estate holdings) at the end of each quarter for the 12 consecutive quarters proceeding the calendar year to which the 5% is being applied. It is recognized that the level of Council spending provided by the Council directly impacts the Council's Investment Objectives and Policy. The Council's spending policy, as a percentage of the Council's investable asset value, is a key consideration in establishing the Council's Investment Objectives and Policy.

In this respect, "investable assets" will include all balance sheet assets except non-income producing assets and assets representing investments of the Council Operating Reserve custodial funds. This definition of investable assets will be used as "the fund" hereafter in the sections concerning assumptions and goals, objectives and policies, asset allocations, and monitoring and control.

**Assumptions and Goals**

As a long-term operating Council, the Council's Trustees recognize that the time horizon for the fund is very long-term. The intent of the Council is to remain in operation in perpetuity. Therefore, long-term investment goals are the primary concern of the investment policy. Within this primary objective, the specific goals of the fund include:

1. Grow Council assets at a rate equal to the nominal spending objective, the rate of inflation, and investment fees and expenses over the long-term.

2. The Program will focus on total return without regard to whether that return is in the form of income or capital gains.

**Objectives and Policies**

1. Achieve rates of return on the total fund in excess of the stated Policy Mix (see Asset Allocation) on a net-of-fee basis over a long time horizon.

2. Maintain an asset allocation policy of 55% to 75% equities (US and non-US stocks.)

3. Comply with existing and future applicable state and federal regulations for tax exempt private operation Councils.

4. Cash reserves are established from time to time to meet the Program's liquidity requirements.

5. Periodically rebalance the fund's actual asset allocation to its target asset allocation (see below). It is expected that such rebalancing will occur when the actual asset allocation is plus or minus 5% from the target allowance, but it may also occur at other times. Asset rebalancing activities will consider the Council's liquidity requirements and the impact of transaction costs.

**Asset Allocation**

1. The fund seeks to maximize returns by maintaining a significant equity commitment. Asset class policy ranges and target allocations (the "Policy Mix") are outlined in the table below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Asset Class** | **Benchmark** | **Policy Range** | **Target Allocation** |
| US Equities | Russell 3000 Index | 35% to 4*5%* | 40% |
| Non-US Equities | 90% MSCI EAFE Index  10% MSCI Emerging Markets Free | *25%* to 35% | 30% |
| US Fixed Income | Lehman Intermediate Aggregate Bond Index | 15% to 25% | 20% |
| Real Estate | Private - NCREIF Property Index  Public - The Wilshire REIT Index | 2.5% to 12.5% | 10% |
| Cash | 91-Day US Treasury bills | 0% to 5% | 0% |

2. The cash allocation is intended to pay operating expenses and will fluctuate within the policy range.

3. The Council's unproductive real estate holdings will be excluded from total assets in determining the allocation to each asset class.

**Monitoring and Control**

1. Actual fund returns on a net-of-fee basis are compared to the Council's Policy Mix return. The Policy Mix utilizes passive investment alternatives weighted at each strategic asset class' target allocation.

2. Fund asset class and investment manager returns are reported to the Scout Executive on a monthly basis. Detailed reporting is prepared on a quarterly basis which compares the fund and manager results to passive or index alternatives over longer time periods (quarterly and greater.) Such quarterly reporting may also include comparisons to representative peer groups. Longer periods (three years and greater) include comparisons of both absolute and risk-adjusted returns.

1. Due diligence meetings with external service providers (managers and custodian) may be held at the discretion of the Investment Committee or Subcommittee. Meetings with managers of mutual or commingled funds, or the like, are expected to be infrequent if at all.
2. Managers must seek approval from the Investment Committee in advance for investments not allowed in the Portfolio Management Agreements.

**US EQUITIES**

**Statement of Purpose**

The purpose of the statement of US Equity policy is to define the strategic role of the asset class within the Fund's general statement of investment policy and to set forth the policies and strategies for the investments of the asset class.

**Assumptions and Goals**

1. Equities will be the dominant asset class in the Council's investment portfolio.
2. Equities will provide the highest absolute return of the major asset class over the long-term.
3. Equities will maintain a diversified exposure within the US stock market.
4. Equities will achieve returns in excess of passive indexes after fees through the use of active managers and strategies.

**Objectives and Policies**

1. Achieve excess return on the asset class relative to the Russell 3000 Index benchmark over three to five years, on a net-of-fee basis.

2. To diversify the asset class across all US equity style categories (i.e., earnings growth, market-oriented, value, small cap) to ensure exposure to a wide range of investment opportunities. The return objective for active US equity management is .50% in excess of the Russell 3000 Index benchmark over three to five years, on a net‑of‑fee basis. Passive management should achieve returns similar to the benchmark return less investment management and custody fees on a near-term basis.

3. Decisions as to individual security selection, security size and quality, number of industries or holdings, current income levels, and turnover are accordingly left to broad manager discretion, subject to the usual standards of fiduciary prudence.

4. Detailed investment guidelines are included in the Portfolio Management Agreement with each manager or fund prospectus.

5. The Investment Committee has delegated the responsibility of voting all proxies to the investment managers according to the managers' internal proxy voting guidelines. They are required to vote the issues on behalf of the Program.

**Monitoring and Control**

1. Investment returns and other data and reports are prepared for the asset class, style categories and individual managers and are reported to the Investment Committee on a quarterly basis.

2. Reports which compare the gross and net absolute and risk-adjusted returns for the managers and asset class are submitted to the Investment Committee on a quarterly basis.

3. On an annual basis, managers are expected to submit a detailed explanation to the Scout Executive of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Boy Scout Council of any proxies that are voted contrary to the manager's proxy voting guidelines.

**INTERNATIONAL EQUITIES**

**Statement of Purpose**

The purpose of this statement of International Equities policy is to define the strategic role of the asset class within the general statement of investment policy and to set forth the policies and strategies for the investment of the asset class.

**Assumptions and Goals**

1. Provide diversification to US equities, while providing similar expected returns.
2. Maintain a diversified exposure across both developed and emerging non‑US stock markets.

**Objectives and Policies**

1. Achieve returns in excess of an unhedged weighted benchmark as follows: 90% of the Morgan Stanley Capital International Europe, Australia, Far East (MSCI EAFE) Index and 10% of the MSCI Emerging Markets Free Index, net of investment management and custody fees over three to five years.

2. Maintain capitalization and style exposures at the asset class level similar to a broad market representation of the non‑US markets.

1. Detailed investment guidelines are included in the Investment Management Agreement with each investment manager or fund prospectus.
2. The Investment Committee has delegated the responsibility of voting all proxies to the investment managers according to the managers' internal proxy voting guidelines. They are required to vote the issues on behalf of the Program.

**Monitoring and Control**

1. Reports which compare the absolute and risk-adjusted returns for the asset class and manager are submitted to the Investment Committee on a quarterly basis.
2. On an annual basis, managers are expected to submit a detailed explanation to the Scout Executive of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Boy Scout Council of any proxies that are voted contrary to the manager's proxy voting guidelines.

**FIXED INCOME**

**Statement of Purpose**

The purpose of this statement of Fixed Income policy is to define the strategic role of the asset class within the general statement of investment policy and to set forth the policies and strategies for the investment of the asset class.

**Assumptions and Goals**

1. Provide diversification to equities by utilizing investments with low correlations. Fixed income instruments have historically generated returns and variances which are lower than equities.

1. Maintain the liquidity reserve to pay out operating expenses on an ongoing basis.

**Objectives and Policies**

1. Achieve an excess return of at least 20 basis points net-of-fees compared to the Lehman Intermediate Aggregate Bond Index over three to five year periods.

2. Maintain an average portfolio duration maximum of + 20% of the duration of the established benchmark.

3. At the time of purchase, all bonds should be rated Baa, BBB or higher by one of the major rating agencies (S&P or Moody's), maintaining an average overall portfolio quality of A or higher. Commercial paper should be rated A1/P1, by one of the major rating agencies. Only publicly traded securities will be purchased. Derivative instruments (options, futures, and options on futures) may not be purchased without the advance approval of the Trustees.

**Monitoring and Control**

1. The returns for the asset class and individual managers are reported to the Investment Committee on a quarterly basis.

2. Reports which compare the absolute and risk-adjusted returns for the managers and asset class are submitted to the Investment Committee on a quarterly basis.

**REAL ESTATE**

## **Statement of Purpose**

The purpose of this statement of Real Estate policy is to define the strategic role of the asset class within the general statement of investment policy and to set forth the policies and strategies for the investment of the asset class.

## **Assumptions and Goals**

1. Provide diversification to the equity and fixed income asset classes, resulting from real estate’s low correlation of returns with these asset classes.
2. Provide investment returns between those of the equity and fixed income asset classes, with relatively stable yields and cash flow, and the potential for longer-term asset appreciation.

## **Objectives and Policies**

1. Achieve rates of return in excess of an appropriate benchmark over a three to five‑year period. For private real estate investments, the benchmark is the NCREIF Property Index; and for investments in public real estate securities, the benchmark is The Wilshire REIT Index.
2. Invest in only high quality, operating and substantially leased properties, avoiding speculative or opportunistic investment strategies.
3. A high degree of diversification is desired, with investments in all property types and across the primary geographic and regional economic areas.
4. Investment decisions with respect to individual real estate properties or public real estate securities holdings are left to broad manager discretion, subject to the usual standards of fiduciary prudence.
5. Since the allocation to real estate is not large enough to obtain adequate diversification through investments in individual real estate properties, investments in private real estate will be through well‑diversified, limited liability collective investment vehicles or commingled funds sponsored by professional third party investment managers.
6. The Investment Committee has delegated the responsibility of voting all proxies associated with investments in public real estate securities to the investment manager according to the manager’s internal proxy voting guidelines. They are required to vote the issues on behalf of the Program.

## **Monitoring and Control**

1. The returns for the asset class and individual real estate investments are reported to the Investment Committee on a quarterly basis.

Signature \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

President - Trustees

Date \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_