# Table of Contents

- Investment Policy Statement Version Control ................................................................. 3
- Definitions .......................................................................................................................... 4
- Summary ............................................................................................................................ 5
  - Basic Information ............................................................................................................ 5
  - Board and Committee Operating Procedures .............................................................. 5
  - Goals of the Foundation ............................................................................................... 5
- General Principles .............................................................................................................. 7
  - Statement of Purpose .................................................................................................... 7
  - Mission .......................................................................................................................... 7
  - Objective ....................................................................................................................... 7
  - Standards of Care ......................................................................................................... 7
    - Prudence ...................................................................................................................... 7
    - Ethics and Conflicts of Interest .................................................................................. 8
    - Prudent Investor Standard .......................................................................................... 8
- Roles and Responsibilities ................................................................................................. 8
  - Authority ....................................................................................................................... 8
  - Investment Committee .................................................................................................. 8
  - Consultant ...................................................................................................................... 9
  - Money/Investment Manager .......................................................................................... 9
  - Custodian ....................................................................................................................... 10
  - Additional Specialists ................................................................................................... 10
- Investment Policies & Procedures ..................................................................................... 11
  - Investment Philosophy ................................................................................................. 11
  - Investment Guidelines .................................................................................................. 11
  - General Guidelines ....................................................................................................... 12
  - Strategies ...................................................................................................................... 13
  - Investment Manager Structure & Selection ................................................................... 13
  - Performance & Replacement Standards ........................................................................ 14
  - Monitoring of Consultant ............................................................................................ 15
## Investment Policy Statement Version Control

<table>
<thead>
<tr>
<th>Policy Version</th>
<th>Date Drafted</th>
<th>Date Adopted</th>
<th>Reason for Revision</th>
</tr>
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<tbody>
<tr>
<td>[1.0]</td>
<td></td>
<td>5/16/07</td>
<td>[Initial IPS]</td>
</tr>
<tr>
<td>[2.0]</td>
<td></td>
<td>5/17/07</td>
<td>Increase in target allocation of equities (65% from 60%) and decrease in target of fixed income to 40%</td>
</tr>
<tr>
<td>[3.0]</td>
<td></td>
<td>5/13/08</td>
<td>Change in target allocation to 65% equities/35% fixed income</td>
</tr>
<tr>
<td>[4.0]</td>
<td></td>
<td>9/14/10</td>
<td>Change from 3yr t-bill to 3month t-bill; change to include ETF, mutual fund and collective fund</td>
</tr>
<tr>
<td>[5.0]</td>
<td></td>
<td>9/13/11</td>
<td>Change in asset allocation</td>
</tr>
<tr>
<td>[7.0]</td>
<td>12/31/16</td>
<td>2/17/17</td>
<td>Updated definitions, monitoring metrics and fiduciary language</td>
</tr>
</tbody>
</table>
Definitions

1. **Foundation Board of Directors** is a body of individuals who oversee all interests of the Foundation.

2. **CPI** shall mean the Consumer Price Index or rate of inflation.

3. **Foundation** shall mean the Millersville University Foundation.

4. **Fiduciary** shall mean undertaking an obligation to exercise prudence, responsibility and authority in making decisions in connection with managing the assets of the Foundation (or as further defined by applicable law).

5. **Consultant** employed by Foundation Board to assist in the development of investment objectives, analysis of asset allocation, manager searches and portfolio evaluation and review. An investment portfolio service may include the identification of managed investments including investment managers, mutual funds, ETFs, alternative investment, collective trusts.

6. **Investment Committee** group appointed by the Foundation President that oversees the creation, implementation and monitoring of the Investment Policy Statement and the investment activities consistent with this policy.

7. **Investment Policy Statement**, shall mean this document (hereinafter referred to as “IPS”); see “Statement of Purpose”.

8. **Money Manager / Investment Manager** an individual or organization employed to manage the investments of all or part of the Portfolio assets. A Money Manager / Investment Manager can provide services in a variety of ways including separately managed funds, ETFs, etc.

9. **Custodian** an organization that will safekeep all Portfolio assets and be the recordkeeper for all holdings and transactions on behalf of the Foundation. The Custodian shall provide monthly reports of all pertinent information to the Investment Committee and Consultant as necessary.

10. **Investment Risk** is defined by various metrics outlined in this IPS including standard deviation, beta, downside risk, and tracking error, among other measures.

11. **Spending Policy** – The Foundation places highest emphasis on meeting its award obligations. As such, the Investment Committee regards spending in dollar terms from year to year as flexible. The Investment Committee, in conjunction with the Spending Committee will recommend for the board’s approval, spending equal to a maximum of 5% of the 3-year rolling average of the market value of the investment pool. The Investment Committee and Spending Committee shall make recommendations from time to time on changes regarding the Board’s spending policy.
Summary

Basic Information

Millersville University Foundation

Foundation Type
— Public University Foundation

Location
— 1 S. George Street
    Millersville, PA 17551
    USA

Board and Committee Operating Procedures

Meetings
- Quarterly Meetings of the Board and Committee are held separately as scheduled in advance.

Primary Contacts
- Development Office, 717-871-7520

Goals of the Foundation

Portfolio Time Horizon
— Perpetuity

The Investment Committee feels that awards to be made in the future are as important as awards made today. This is consistent with the philosophy that this Foundation Fund (“Fund”) is to exist in perpetuity, and therefore, should provide for award-making in perpetuity. To attain this goal, the overriding objective of this Foundation 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 Fund’s investment horizon.

Future giving (contributions) to this Fund is expected to be inconsistent, and therefore, unpredictable. As a result, the Investment Committee has set an investment strategy with the objective of maintaining purchasing power of the Fund before consideration of gifts. Accordingly, future giving will serve to increase the purchasing power. Therefore, expectation may be expressed by the following equation: Total Return = Spending + Inflation + Expenses, while Giving = Increase in Purchasing Power.

Philosophy of Investment Policy

To emphasize long-term growth of principal while avoiding excessive risk. Short-Term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

Key Points:
1.) Investments shall be made solely in the interest of the beneficiaries of the Fund.
2.) The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man 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 Investment 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.
General Principles

Statement of Purpose
This investment policy statement (“IPS”) identifies the strategy to be followed by the Investment Committee in the investment of the Millersville University Foundation’s assets. It defines and assigns the responsibility of all involved parties while establishing an understanding of the guidelines and limitations for all Investment Managers regarding the Fund. This IPS establishes the Fund's investment horizon, return expectations and risk tolerance as well as a basis for evaluating investment results and calls for ongoing review and recommendations regarding the spending policy of the Board.

Mission
The Millersville University Foundation (“MU Foundation”, “Foundation”) is a separate entity from Millersville University, and its mission is to manage and invest endowed gifts for the University. It is a 501(c)3 tax-exempt public foundation incorporated to receive gifts which benefit Millersville University and to administer those funds in perpetuity in a manner prescribed by the donors. Today, the MU Foundation manages over 400 scholarship and program accounts. The MU Foundation's activities are managed by an independent Board of Directors that includes leaders from the University, the community and the alumni body at large.

Objective
The primary investment objectives of the assets are to:

- Meet or exceed the market index selected and agreed on by the Investment Committee that most closely corresponds to the style of investment management, net of management fees;
- Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified above; and
- Investment Objective is to equal or exceed spending + expenses + inflation as these are the basic goals of the Foundation.
- Appear in the top half of the peer group of Endowment/Foundations (under $100 mm)

The Investment Committee, in conjunction with the Spending Committee, will recommend for the Board's approval spending equal to a maximum of 5% of the 3-year rolling average of the market value of the investment pool. The Investment Committee along with the Spending Committee shall make recommendations from time to time on changes regarding the Board's spending policy.

Specific investment goals and constraints for each investment manager, if any, shall be incorporated as part of this IPS. For separately managed account investments, each manager shall receive a written statement outlining his specific goals and constraints as they differ from those objectives of the entire plan.

Standards of Care

Prudence
The “prudent person” standard (as defined in Pa. C.S.A. § 7203) shall be used by Board Members and shall be applied in the context of managing the overall portfolios. Investments shall be made with the judgment and care that persons of prudence, discretion and intelligence would exercise in the management of their own affairs.
**Ethics and Conflicts of Interest**

Board Members involved with the investment process shall refrain from personal business activity that may conflict with the proper execution of the investment program or impair their ability to make impartial investment decisions.

**Prudent Investor Standard**

While the Uniform Prudent Management of Institutional Funds Act (UPMIFA) has not been adopted by the State of Pennsylvania, it provides for the consistent fiduciary standard for charitable board members, officers, trustees, consultants, investment managers and all other parties involved in the stewardship of the investment assets of the Foundation and shall be adhered to in all cases in which it does not contradict current Pennsylvania fiduciary law.

**Roles and Responsibilities**

The Foundation Board of Directors has chosen to delegate the roles and responsibilities prescribed for the Investment Committee herein. The Investment Committee shall implement the management process and monitor the assets in accordance with this IPS. The Chair of the Committee shall be a current member of Millersville University Foundation Board of Directors. The Investment Committee shall consist of the Chair, at least three voting members of the Board including the Foundation Treasurer, the Executive Director and Investment Accounting Officer of the Foundation (the latter two shall be non-voting members of the Investment Committee).

**Authority**

The Investment Committee shall, as more fully described herein, manage the assets via a set of agreed upon asset allocation targets and ranges for the portfolio.

In fulfilling its responsibilities under this IPS, the Investment Committee shall, among other activities, hire and dismiss the consultant and investment managers, fiscal agents and other advisors.

**Investment Committee**

The Investment Committee is authorized to make investment decisions and oversee the investment activities relating to the Foundation consistent with this policy.

The Investment Committee will:

— Determine risk tolerance and investment horizon, in turn, establishing reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the assets as reflected in the IPS.

— Determine the asset allocation of the assets, acting within the parameters of the IPS.

— Provide specific guidelines for the investment of assets.

— Oversee the assets and review investment performance, in addition to monitoring the IPS.

— Review and, where possible, control investment expenses. All expenses must be customary and reasonable, and will be borne by the portfolio as deemed appropriate and necessary.

— Review this IPS, along with those retained to assist the committee, recommending changes to the Foundation Board.

— Provide investment monitoring reports on a quarterly basis. The Secretary of Committee, with the assistance of the Consultant, shall be responsible to the Investment Committee for maintaining detailed records of all invested funds and for carrying out the investment policies and procedures established by the Foundation Board and the Investment Committee. The Secretary shall provide this report along with written minutes of the quarterly Investment Committee meeting to the Board. In situations in which it is impractical for the Secretary to provide written minutes at the next scheduled meeting of the Board, the Secretary shall provide written minutes to the Board as
soon as it is feasible to do so.

— The Committee shall review the performance and assistance provided by said advisory consultant or organization at least every 5 years from date of original hire and make a report to the Board as to why they should be retained or removed. In addition, the Investment Committee will, as needed, change third-party advisors including the Consultant, Money Manager(s) or Custodians.

To assist the Investment Committee in these duties, the Investment Committee may retain the following:

**Consultant**

The Investment Committee may hire a Consultant to assist the Foundation in the performance of its respective functions. The responsibilities of the Consultant will be specified in the Consulting Services Agreement.

The responsibility of any consultant or advisory organization shall be to meet with and make quarterly reports on all Foundation investment holdings to the Investment Committee. These reports shall contain, at a minimum, the following information:

**Portfolio Level Reporting**

1) Holdings and cash flows for the quarter
2) Historical cash flows and market values for the fund
3) Investment policy target allocations and deviations from same
4) Asset class performance and peer group rankings for the fund versus a national peer group of other like investment pools
5) Manager performance for the quarter relative to its benchmark
6) Historical returns, risk and risk-adjusted returns for the entire fund versus benchmarks and a national peer group of like investment pools

**Manager Level Reporting**

1) Returns, risk and risk-adjusted returns of each manager versus an appropriate benchmark and peer group. These measures include:
   a. Alpha
   b. Sharpe Ratio
   c. Treynor Ratio
   d. Beta
   e. Standard Deviation
   f. Downside Risk
   g. Residual Risk

2) Holdings level attribution of manager style, sector weightings, geographic exposure, etc.

The Consultant shall also assist the Investment Committee on IPS development and maintenance, asset allocation modeling and Investment Manager monitoring while acting in a fiduciary capacity for the Foundation.

**Money/Investment Manager**

Money/Investment Managers may be hired by the Investment Committee and will have full discretion to make all investment decisions for the assets placed in their care. If a Separate Account Manager is hired, the manager will observe and operate within all policies, guidelines, constraints and philosophies as outlined in this IPS. Each separate account manager must acknowledge in writing its acceptance of responsibility as a fiduciary.

Millersville University Foundation Investment Policy Statement - 9
**Custodian**

Custodian(s) will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Foundation, collect dividend and interest payments, redeem maturing securities and effect receipt and delivery following purchases and sales. The custodian(s) will also perform regular investment accounting of all assets owned, purchased or sold. The custodian will also perform regular investment accounting of the movement of assets into and out of the accounts. The custodian(s) will prepare a summary of all holdings and asset activity and provide it to the Foundation on a monthly basis. Custodian may outsource some or all of these activities to a qualified specialist with the prior approval of the Investment Committee.

**Additional Specialists**

Additional specialists such as attorneys, auditors and others may be employed by the Foundation to assist in meeting its responsibilities and obligations to administer portfolio assets prudently. If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing.
**Investment Policies & Procedures**

**Investment Philosophy**

While acknowledging the importance of preserving capital, the Board of Directors also recognizes the necessity of accepting risk if the assets are to be able to meet their long-term investment goals as defined in this IPS. It is the view of the Directors of the Millersville Foundation Board that choices made with respect to asset allocation and liquidity risk will be the major determinants of investment performance. The Investment Committee shall seek to ensure that the risks taken are appropriate and commensurate with the asset’s goals and shall monitor these risks as defined below.

**Investment Guidelines**

The Investment Committee, subject to the investment guidelines, shall have complete discretion to manage the assets to best achieve the Foundation’s investment objectives.

The Investment Committee shall set forth guidelines for managing investment assets according to prudent standards established in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) except where such standards are in conflict with Pennsylvania law. As fiduciaries, the Millersville University Foundation will manage the investment of all funds with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.

The Foundation’s separate account investment managers are expected to adhere to the following investment guidelines unless otherwise noted in an investment manager agreement between the Investment Committee and the Manager executed subsequent to these guidelines. General guidelines apply to all separate account investment managers retained by the Fund. Asset class guidelines apply to each separate account investment manager retained to manage a portfolio within a specified asset class.

The Investment Committee also may consider the retention of mutual funds, commingled funds or alternative investments/hedge funds for a portion of the Foundation’s assets. The appropriateness of these funds will be evaluated in accordance with the Foundation’s investment guidelines. However, since the Committee cannot influence the specific investment guidelines governing mutual funds, commingled funds or alternative investments/hedge funds, it is recognized that some mutual funds, commingled funds or alternative investments/hedge funds may be used in the investment of Foundation assets that are not in full compliance with the Foundation’s separate account investment guidelines. In such cases, the prospectus or other governing document of the commingled product will govern its allowable investments.

When considering whether to include mutual funds, commingled funds or alternative investments/hedge funds, in addition to performance related measures, the Investment Committee should also evaluate the objective of the fund, its current holdings, its historical holdings and averages and how these would fit the asset class being considered.

Separate account investment managers should contact the Investment Committee when they believe that deviation from the Foundation’s investment guidelines is in the best interest of the Foundation. The Committee will consider the manager’s request based upon the facts and circumstances at the time of the request. The Committee must approve deviations from the Foundation’s investment guidelines in writing before an investment manager is authorized to deviate from the investment guidelines.
**General Guidelines**

**Investment of University Funds**

As per the Fiduciary Agreement between the Foundation and Millersville University, from time to time the Foundation will hold and invest funds on behalf of the University. These funds must be invested in accordance with Policy 1986-02-A of the PA State System of Higher Education. As such, there are restrictions to the types and percentage of investment in certain asset classes.

**Prohibited Transactions**

The following transactions are prohibited unless specifically authorized by the Investment Committee in a separate written agreement:

- Borrowing of money.
- Purchase of securities on margin or short sales.
- Pledging, mortgaging of securities, or hypothecating of any securities except for loans of securities that are fully collateralized.
- Purchase or sale of futures or options for speculation or leverage.
- Purchasing or holdings securities in any one issuer (with the exception of the U.S. government) in such as a size that would be deemed imprudent.

**Restricted Transactions**

The investment portfolio shall generally consist only of readily marketable securities that normally can be sold without materially affecting the price. Separate account investment managers must advise the Investment Committee before engaging in the following types of transactions:

- Purchase or sale of commodities, commodity contracts, or illiquid interests in real estate or mortgages.
- Purchase of illiquid securities such as private placements or letter stocks.
- Use of various futures and options strategies for hedging or for taking limited risks with a portion of the portfolio’s assets.

**Brokers**

The determination of which brokers should execute transactions is to be made by the Investment Managers. Security trading should be based on the best execution, which means best realized net cost or proceeds.

**Proxies**

The Investment Advisors are responsible for voting proxies in accordance with what is best for the long-term interest of the Foundation.
Strategies

The Investment Committee has developed asset allocation policies for the Fund based on its objectives, capital market expectations, and asset modeling. These guidelines are long-term oriented and are consistent with the Fund’s risk tolerance and spending objectives. The following asset allocation mix should be followed by the Committee and maintained by the Fund’s investment managers:

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Asset Mix Policy</th>
<th>Minimum</th>
<th>Target</th>
<th>Maximum</th>
<th>Benchmarks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Equity</td>
<td></td>
<td>30.0%</td>
<td>40.0%</td>
<td>55.0%</td>
<td>Russell 3000</td>
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<tr>
<td>International Equity</td>
<td></td>
<td>10.0%</td>
<td>20.0%</td>
<td>30.0%</td>
<td>MSCI ACWI Ex-US</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>40.0%</td>
<td>60.0%</td>
<td>75.0%</td>
<td></td>
</tr>
<tr>
<td><strong>Fixed Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Fixed Income</td>
<td></td>
<td>15.0%</td>
<td>22.5%</td>
<td>40.0%</td>
<td>Barclays Aggregate</td>
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<tr>
<td>International Fixed Income</td>
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<td>7.5%</td>
<td>10.0%</td>
<td>Barclays Global Aggregate</td>
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<tr>
<td>Cash</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>15.0%</td>
<td>30.0%</td>
<td>60.0%</td>
<td></td>
</tr>
<tr>
<td><strong>Alternatives</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Equity</td>
<td></td>
<td>0.0%</td>
<td>5.0%</td>
<td>7.5%</td>
<td>MSCI ACWI</td>
</tr>
<tr>
<td>Absolute Return</td>
<td></td>
<td>0.0%</td>
<td>5.0%</td>
<td>7.5%</td>
<td>HFRI Fund of Funds</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>0.0%</td>
<td>10.0%</td>
<td>15.0%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>100%</td>
<td></td>
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</table>

The Investment Committee will review the asset allocation guidelines to ensure that they are appropriate for the investment of Foundation assets. Asset allocation policies may be revised as capital markets, investment manager’s objectives and economic conditions warrant changes. If in reviewing asset allocation the Consultant determines it is outside of range, the Consultant shall recommend to the Investment Committee a rebalancing strategy to bring the Fund to within the allowable range.

Investment Manager Structure & Selection

The Investment Committee will utilize a multiple-manager, specialist structure in order to achieve the asset allocation policies stated above. The Committee believes that such a structure provides a well-diversified investment strategy capable of achieving the long-term objectives of the Fund within an acceptable level of risk.

In implementing the Foundation’s asset allocation policies, the Investment Committee may consider investment vehicles such as individual fund managers, mutual funds, or other commingled products.

The Investment Committee, in accordance with the IPS, will select appropriate Money Managers to manage the Fund’s assets. Managers must meet the following minimum criteria:

- Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.
- Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.
• Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel. This information can be a copy of a recent Request for Proposal (RFP) completed by the manager.

• Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

• Selected firms shall have no outstanding legal judgments or past judgments, which may reflect negatively upon the firm.

**Performance & Replacement Standards**

The Investment Committee is primarily interested in the long-term performance of the Fund rather than the short term (i.e., quarterly results) in determining whether the Fund’s principal investment objectives have been met. The Fund’s investment program and Managers are expected to emphasize capital appreciation with due regard for safety of principal and income as defined below:

A thorough review and analysis of a money manager may be conducted, should:

• A Manager perform in the bottom quartile (75th percentile) of their peer group over a 1-year time period.

• A Manager fall in the southeast quadrant of the risk/return scatterplot for a 3-year time period.

• A Manager have a 3-year risk-adjusted return (as measured by the Sharpe Ratio) fall below that of the median manager within the appropriate peer group.

Furthermore, performance which may require the replacement of a Manager include:

• Managers that perform below the bottom quartile (75th percentile) of their peer group over a 3-year time period.

• Managers who perform below the median (50th percentile) of their peer group over a five-year period.

• Managers with negative alphas for a three-year time period.

Major organizational changes also warrant immediate review of the manager, including:

• Change in professionals
• Significant account losses
• Significant growth of new business
• Change in ownership
• Change in investment policy or process

Active investment managers for the Foundation are expected to produce an incremental return relative to comparable actively managed funds and to passive indices measured over a period of three to five years. The performance benchmarks outlined above provide an objective basis for measuring the progress of the investment program and individual managers in achieving their objectives.

The Investment Committee will meet with active investment managers on a periodic basis to review the managers’ results relative to the performance objectives. In reviewing whether individual managers have satisfied the objectives, the Committee will consider the capital market environment within which the manager has operated and other relevant factors.

All performance metrics will be measured on an after fee (i.e., net) basis.
**Monitoring of Consultant**

The Investment Committee shall review the performance of the Consultant on a regular basis using the same criteria for the whole portfolio that each Investment Manager is expected to achieve. The Consultant shall be responsible for coordinating all communications between the Committee and service providers.

The Consultant, as a fiduciary of the Fund, is required to provide unbiased investment services to the Foundation and must inform it of any changes to key personnel, investment strategy or other organizational issues. The Consultant shall provide to the Foundation any information deemed appropriate to ascertain its ability to fulfill its duties.