

Using Investment Policy Statements as an Investment Tool: *It's an Art, Not a Science*

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Using Investment Policy Statements as an Investment Tool: It's an Art, Not a Science

Written by David J. Bromelkamp, Allodium Investment Consultants

1. Introduction

Shoot Ready Aim: Are our investments missing the target? Would it be a better strategy to switch to Aim, ready shoot? How can the investment policy statement be used to improve your investment decision-making process? This paper is going to provide you with an understanding of the investment policy statement and how it can be used to focus your investment strategy and to document your investment policy decisions.

The decision-making process requires that the organization agree on their investment philosophy before implementing an investment strategy. One of the best books on the importance of having an investment policy was written by Charles D. Ellis in the early 1990's under the original title of Investment Policy. Charles "Charley" D. Ellis is an American investment consultant who founded Greenwich Associates, an international strategy consulting firm focused on financial institutions. He is known as an advocate for passive investing through the use of index funds as highlighted in his book *Winning the Loser's Game*.

"The principal reason for articulating long-term investment policy explicitly and *in writing* is to enable the client and portfolio manager to protect the portfolio from ad hoc revisions of sound long-term policy, and to help them hold to long-term policy when short-term exigencies are most distressing and the policy is most in doubt." Charles D. Ellis; *Winning the Loser's Game*; p. 59

"The high purpose of investment policy, and of the systematic discovery process prerequisite to it, is to establish useful guidelines for investing that are genuinely appropriate to the realities both of your objectives and the realities of the investments and markets." Charles D. Ellis; *Winning the Loser's Game*; p. 63

2. Fiduciary Investment Management

Fiduciary entities are often managed by volunteer trustees who are generally well-intentioned but not always familiar with the best practices for investment fiduciaries. This paper will address the developing standards for investment fiduciaries and how they can be applied to improve the investment decision-making process for a fiduciary entity. We will review the Prudent Investment Practices handbook that was published in 2003 by the Foundation for Fiduciary Studies and edited by the American Institute of Certified Public Accountants. We will address how these investment practices can be used by trustees of irrevocable trusts to improve their investment process. We will also define the role of the legal advisor and identify practical actions that you can take to help your clients make better investment decisions.

In the current regulatory environment, fiduciary investors are becoming increasingly concerned about their legal obligations and have always been looking for help in understanding how to fulfill their fiduciary responsibilities. A helpful resource has been published that documents the most basic elements of the investment decision-making process for fiduciary investors. *Prudent Investment Practices: A Handbook for Investment Fiduciaries* was originally published in April 2003 by the Foundation for Fiduciary Studies (now Fi360) and edited by the Personal Financial Planning Division of the American Institute of Certified Public Accountants. Fi360 (see www.Fi360.com) has developed the investment profession's first practice standards of care for investment fiduciaries. We will focus on how fiduciary investors can use these developing investment standards.

Fi360 defines an investment fiduciary as someone who is providing investment advice or managing the assets of another person and stands in a special relationship of trust, confidence, and/or legal responsibility.

According to Fi360, investment fiduciaries can be divided generally into three groups: Investment Stewards, Investment Advisors, and Investment Managers.

1. An **Investment Steward** is a person who has the legal responsibility for managing investment decisions, including plan sponsors, trustees, and investment committee members.
2. An **Investment Advisor** is a professional who is responsible for providing investment advice and/or managing investment decisions. Investment Advisors include wealth managers, financial advisors, trust officers, financial consultants, investment consultants, financial planners, and fiduciary advisers.
3. An **Investment Manager** is a professional who has discretion to select specific securities for separate accounts, mutual and exchange-traded funds, commingled trusts, and unit trusts.

The Prudent Practices for Investment Stewards are for persons who have the legal responsibility for managing investment decisions. Investment Stewards include trustees, plan sponsors, and investment committee members.

Each Practice has been substantiated by applicable legislation, regulation, and/or case law to ensure compliance. Full citations, as well as detailed Criteria, narrative discussion, practical application, and suggested procedures can be found in the *Prudent Practices for Investment Stewards* handbook.

Fi360 teaches fiduciary investors that the primary role of the fiduciary is to *manage* a prudent investment *process*, without which the components of an investment plan cannot be defined, implemented, or evaluated. Critical Concept: Liability is not determined by investment performance, but rather by whether prudent investment practices were followed. *"It's not whether you win or lose – it's how you play the game."*

Fi360 has also developed the following Global Fiduciary Precepts based on a review of current fiduciary investment law:

Global Fiduciary Precepts:

1. Know standards, laws, and trust provisions
2. Diversify assets to specific risk/return profile of client
3. Prepare investment policy statement
4. Use "prudent experts" and document due diligence
5. Control and account for investment expenses
6. Monitor the activities of "prudent experts"
7. Avoid conflicts of interest and prohibited transactions

The third *Global Fiduciary Precept* is the preparation and maintenance of the investment policy statement (IPS) – which is likely the most critical function a fiduciary performs.

Most fiduciary clients want help in the documentation of their decision-making process. Examples of these documents include the documentation of the asset allocation decision, the written investment policy statement, due diligence research on investment managers, service agreements with the investment managers and quarterly performance reports. Fiduciary analysts ("auditors") are currently being trained to look for specific evidence of the fiduciary's investment decision-making process. The documents most likely to be requested by a fiduciary auditor are included and outlined in great detail in the Self-Assessment of Fiduciary Excellence (SAFE) which is published by Fi360. The investment management consultant is the most logical financial professional to assist the client with the preparation and organization of these documents that record the fiduciary's investment decision-making process.

The prudent investor recognizes the value of professional investment advice and they seek out trusted advisors to help them make sound decisions related to their investment portfolios. Studies show that investors with portfolios in excess of \$1 million overwhelmingly turn to investment professionals for advice. Professional investment advice can come from bankers, brokers and advisors. We believe it's important for investors to understand the nuances of the advice providers in the field of professional investment advice. Therefore, we encourage the savvy investor to learn more about how to retain investment professionals that are best qualified to meet their specific needs.

Advisors: The SEC regulates investment advisors. The primary mission of the U.S. Securities and Exchange Commission (SEC) is to protect investors and maintain the integrity of the securities markets. www.sec.gov. There is considerable confusion in the industry and among the investment public related to the term "investment advisor" and the SEC is aware of this confusion. Currently the term "investment advisor" applies to both investment managers (the people managing the selection of individual securities) and the investment consultants (the people giving advice to investors on the high level investment policy decisions).

- *Investment Managers* are generally defined as the type of investment advisor that is delegated the authority to make investment decisions relative to individual securities. The investor usually grants discretion over their account to the investment manager which allows the investment manager to make timely decisions related to purchases and sales of individual securities in the investor's portfolio.
- *Investment Consultants* are generally defined as the type of investment advisor that provides advice to the investor on the high level investment policy decisions related to asset allocation strategy, investment manager search and selection, performance monitoring and evaluation and other strategic decisions. The investor usually does not grant discretion to the investment consultant but retains control over the high level investment policy decisions and relies on the investment consultant for ongoing strategic advice and direction.

Most fiduciary investors understand that they are not prudent experts when it comes to security selection so they wisely choose to hire professional investment managers to select individual securities for their portfolios. But a common problem develops when a fiduciary client hires a professional investment manager directly without the assistance and expertise of a professionally-trained investment management consultant. The fiduciary's inevitable unhappiness with the professional investment manager has nothing to do with the expertise and competence of the manager but everything to do with the missing steps of the investment process and the related twenty-one prudent investment practices. Often the client chooses to hire the professional investment manager directly because they do not see the value provided by the professional investment management consultant.

The professionally-trained investment management consultant adds a great deal of value to the fiduciary investor. The role of the professional investment management consultant is to guide the fiduciary client through each of the four steps in the investment process. The investment management consultant is the only investment professional that is in the position to help the fiduciary investor with all twenty-one of the prudent investment practices. The sophisticated investment fiduciary will be searching for the professional investment management consultants who are knowledgeable about the twenty-one prudent investment practices and have developed an investment consulting practice that helps the fiduciary to meet their fiduciary obligations.

In contrast, the investment manager has a narrowly-defined role to select market sectors and individual securities for the fiduciary's investment portfolio. It would be foolhardy to suggest that the professional investment manager could objectively complete due diligence research on themselves, objectively determine the appropriate asset allocation if they are to manage only a portion of the portfolio or to objectively perform the monitoring function of their own investment performance relative to the market and relative to their peer group. In addition, if you do not separate the asset allocation decision from the security selection activity you will not be able to analyze the quality of the security selection – it will be difficult to determine the value added by the investment manager's stock-picking prowess.

Clearly these macro level tasks are more efficiently and objectively performed by a professionally trained investment management consultant.

The professional designations from Fi360 show the innate demand for specialized professional investment training for both fiduciary investors and the investment professionals who advise them. Helping investors understand the subspecialty of fiduciary investment management will help them understand the relevant professional training and designations they should be looking for in a professional investment management consultant.

Fi360 has a "Find a Fiduciary" search function on their web site at:
<https://www.fi360.com/app/designee/search> where you can search for Accredited Investment Fiduciary® (AIF®)* and Accredited Investment Fiduciary Analyst® (AIFA®) credential holders.

www.fi360.com
<https://www.fi360.com/app/designee/search>
<https://www.aicria.com/associations/alliances-fi360.html>

"Society depends upon professionals to provide reliable fixed standards in situations where the facts are murky or the temptations too strong. Their principal contribution is an ability to bring sound judgment to bear on these situations. They represent the best a particular community is able to muster in response to new challenges." Dr. Robert Kennedy, "Why Military Officers Must Have Training in Ethics"

CEFEX is an international certification organization for Investment Advisors, Investment Stewards, Investment Managers, Recordkeepers, and Third Party Administrators. Fi360 is the majority owner of CEFEX. CEFEX Certification provides independent recognition of a fiduciary's or service provider's conformity to all applicable fiduciary practices and criteria. As is true with certification to ISO standards, CEFEX certification is intended to help streamline due diligence for those seeking the services of organizations that provide or support investment fiduciary services. Certified organizations are well positioned to earn the public's trust.

The AIFA program provides the requisite knowledge to conduct comprehensive assessments of conformity to the Global Fiduciary Standards of Excellence. The AIFA designation is required of all analysts that conduct assessments leading to a CEFEX certification.

To find a list of CEFEX-certified investment firms, go to:
<https://www.cefex.org/RegisteredCompanyList/>

Visit www.CEFEX.org for more information about Certification.

<https://www.aicria.com/associations/alliances-cefex.html>

How can these investment practices be used by private foundations, public charities, charitable trusts and other charitable entities to improve their investment process? What is the role of the legal advisor? What are the practical actions that you can take to help your clients make better investment decisions?

The attorney is often one of the most respected and credible sources of advice and information to the fiduciary entity and you have the opportunity to influence the investment decision-making accordingly. There are a few major categories of opportunities for you as a legal advisor to help your clients with these critical fiduciary investment management issues:

- Initial advice upon the establishment of a new fiduciary entity
- Ongoing advice to an existing fiduciary entity
- Your personal role as a fiduciary investor

Legal advisors are in a unique role upon the establishment of a new legal entity because the client has to make a choice about investment management for the new entity. You may be involved in the establishment of a new legal entity that will be subject to the fiduciary investment laws that are applicable to that charitable entity. Often the client may turn to you for advice relative to the investment management for the portfolio of the charitable entity you have just established. You can be influential in the client's decision-making process relative to investment advisors at the outset of the entity's existence. You might also expose yourself to the risk of becoming a fiduciary relative to the investment portfolio due to how you handle your advice to the client when they ask you for help in this area. Some very important advice that you can provide your clients is to document their investment decision-making process. Inform the client about the need to document their investment decision-making process.

Legal advisors are respected advisors to established charitable entities and clients often will turn to their attorney for advice about investment management. Clients are concerned about the following issues related to corporate governance as it applies to fiduciary investment management:

1. Corporate governance and selecting board members. Help your clients learn how to select objective volunteer board members who are committed to both the mission of the organization and obedience to the fiduciary laws that apply to the fiduciary entity.
2. Educating board members. Help your clients learn about the fiduciary investment laws that apply to their organization and the prudent investment practices.
3. Creating and defining investment committee roles and responsibilities. Help your clients learn how to select competent and objective investment committee members.
4. Conflicts of interest and self-dealing. Develop conflict of interest policies for you clients that address all parties related to the investment management process (including board members, committee members, volunteers, service vendors, investment advisors and any other individuals involved with the investment decision-making process).
5. Support the general concept of fiduciary investment standards and advocate "best practices" for your fiduciary clients. Support the investment advice providers that provide an objective and comprehensive investment approach based on prudent investment practices.
6. Identifying the sources of objective investment advice. Help your clients search for and find the objective providers of investment advice.
7. Document the investment decision-making process.

Your role as a fiduciary investor may be one of the most important ways that you can have an impact on the charitable entities in your community. As a volunteer board member for a nonprofit organization, as a member of an investment committee or as a trustee for a charitable trust you can influence other investment decision-makers to improve their investment process by incorporating the Prudent Investment Practices into your daily activities. Many attorneys are asked to join nonprofit boards to lend their legal expertise to the board to help the organization stay abreast of current legal issues.

1. Provide leadership to the Board of Directors. Introduce the Prudent Investment Practices to the Board. Help to develop policies based on recognized standards and best practices.
2. Cultivate new investment committee members. Focus on attracting process-oriented professionals to serve on your investment committee.
3. Enlighten investment service providers and other financial professionals about the Practices.
4. Educate staff about the Prudent Investment Practices. Nonprofit staff members appreciate disciplined guidelines that they can follow.
5. Coordinate educational opportunities for the Board of Directors and investment committee based on the Prudent Investment Practices.
6. Consider a fiduciary review to identify weaknesses in the investment process.
7. Define your investment policy statement and your spending policy statement.
8. Formalize investment committee meetings by documenting the meetings with formal minutes.
9. Fiduciary acknowledgement letter. Ask each member of the investment committee to sign a letter that acknowledges their fiduciary responsibility.

The twenty-one prudent investment practices are published and available – that is a fact. Your fiduciary clients are stressed out about the fiduciary scandals they are reading about in the newspapers – that is a fact. You are being presented with an opportunity to provide incredible value to fiduciary investors in the coming years. Make a decision to study the Prudent Practices, and incorporate this fiduciary investment process and the twenty-one prudent investment practices into your practice. Help your fiduciary clients by giving them the information they need to make prudent decisions about their fiduciary investment management process.

3. The Investment Policy Statement (IPS)

What is the investment policy statement? The IPS is the business plan and probably the most important investment management document. It should be reviewed and updated (if necessary) at least once a year so as to keep it aligned with the actual process.

Think of the IPS as the business plan for the portfolio. End investors rely upon the fiduciaries to manage their money effectively. In essence, the fiduciaries serve as the management team of the portfolio “enterprise.” Just as investors in a business expect their management team to have a solid plan to demonstrate an effective business strategy, investors in the fiduciary arrangement are entitled to expect a plan for investment success. The Investment Policy Statement is intended for precisely that purpose. A well-written IPS that is being followed is the litmus test for how well the fiduciary is managing fiduciary duties. It is essential for conforming to a Global Fiduciary Standard of Excellence. One note of caution: The IPS is deemed to be a “governing document.” Therefore, fiduciaries must take care to adhere closely to the investment policies or run the risk of committing a fiduciary breach. The preparation and maintenance of the investment policy statement is one of the most critical functions the fiduciary performs. There are those who would argue otherwise, concerned that if the IPS is not followed it could actually increase one’s liability. The resolution to these conflicting opinions is to ensure that the IPS accurately reflects the investment process that is actually in place.

The ultimate test of whether an IPS is effective is whether it provides sufficient detail for a competent third party to implement it without having to supplement it. It should not, however, be so detailed that it requires constant revisions and updates. (Source: Fi360)

Here are some quotes that describe the role of the investment policy statement:

1. “The preparation and maintenance of the Investment Policy Statement (IPS) is the most critical function a fiduciary performs, for a well-written IPS becomes the narrative that defines how all of the investment-related responsibilities will be prudently managed.” Don Trone, p.13, *How to Write an Investment Policy Statement*
2. “If it isn’t in writing, it is a wish, not a plan. You wouldn’t start a company without a written business plan. In fact, you wouldn’t even put a deck on your house without some kind of design. Why then, when it comes to the oversight of millions of dollars, do so many institutions fail to reduce their objectives and strategies to writing? Your investment policy statement is the document that defines the operation of your fund. It contains the written instructions to your money managers. *Asset Management for Endowments and Foundations*; p.11
3. “Although it is not legally required, this document (IPS) is of the utmost importance for all concerned, since it makes available a clear indication of investment intent, much like a military commander’s mission statement. It should be formalized after full study and reflection, written down in clear language, and agreed to by delegates if outside managers are to be used. Failure to create such a formal statement invites a presumption of imprudence.” *Investing and Managing Trusts under the New Prudent Investor Rule*; p. 80
4. “For the investment committee, particularly one with a high turnover of members, the IPS (investment policy statement) ensures continuity of the investment strategy and may keep future members from second-guessing the actions of the original members. For foundation and/or endowment committees, the IPS also provides donors the best proof of the organization’s stewardship.” *The Management of Investment Decisions*; p. 11
5. “The investment policy will produce its greatest benefits during periods of adverse market performance. Committee members will be less tempted to alter an otherwise sound program by

irrational fears; the investment policy will act as a stabilizer.....This is what the substance of good policy review should be all about: the framework that will allow cooler heads and a longer term outlook to prevail." *The Management of Investment Decisions*: p. 12

6. "The IPS (investment policy statement) should be viewed as the business plan and the essential management tool for directing and communicating the activities of the portfolio." *The Management of Investment Decisions*; p. 11

Fi360 points out a number of benefits of having a well-crafted IPS:

1. Provides a paper trail. In the event of an audit, litigation, or a dispute, it supports the "paper trail." One of the first documents a litigator or auditor is going to ask to review is the IPS because it should outline how the overall investment strategy is to be managed.
2. Negates Monday morning quarterbacking. Inevitably there will be turn-over of investment committee members and trustees. Former investment decision makers don't want to be caught in the uncomfortable position of having replacements second-guess their decisions.
3. It reassures contributors (donors)
4. A calming effect in a declining market. It also helps insulate investment decision makers from "market noise." During periods of over- or under-confidence in the capital markets, the IPS helps to keep them focused on the long-term goals and objectives. During such periods investment decision makers are more likely to make precisely the wrong decision at precisely the wrong time if they are not guided by a well-developed investment policy statement.
5. A baseline from which to monitor investments
6. Guidance for implementation of investment strategy
7. Continuity for future board members (legacy)
8. Compliance with fiduciary laws

4. IPS Components

One of the best resources for identifying the major components is a book titled: *The Management of Investment Decisions*, Donald Trone, William Albright, Phillip Taylor (McGraw-Hill)

From this book we can identify the Major Components of an Investment Policy Statement:

1. Executive Summary*
2. Purpose and Background
3. Statement of Objectives
4. Guidelines and Investment Policy
5. Securities Guidelines
6. Selection of Investment Managers
7. Control Procedures
8. Signatures**

Source: *The Management of Investment Decisions*, Trone

5. Roles and Responsibilities

Fi360 explains that an industry best practice is a separation of roles. Although it is not a fiduciary requirement, fiduciary investors should attempt to ensure that the four parties (money manager, broker, custodian, and investment advisor) are all separate and unrelated entities. This approach provides for a system of checks and balances. If one were to examine cases involving breaches of investment fiduciary responsibility, one would inevitably find that one or more parties were wearing two hats. Consider the Bernard Madoff Ponzi Scheme, for example. In that case Mr. Madoff essentially wore all of the hats which enabled him to fabricate records and abscond with the money investors deposited.

The Advisor will be responsible for guiding the Trustee(s) or the investment committee through a disciplined and rigorous investment process. If they are not investment experts, it is assumed that the trustees or the investment committee will retain an objective, third-party Advisor to assist in managing

the overall investment process. The specific duties and responsibilities of the Investment Advisor are to assist the Trustees or the investment committee in the development of a formal investment policy statement

1. Recommend an asset allocation strategy
2. Perform due diligence research
3. Implement the asset allocation
4. Monitor the performance of the portfolio
5. Evaluate the performance of the investment managers
6. Replace investment managers when necessary
7. Provide a quarterly performance report
8. Meet with the Trustees quarterly to review the performance reports

Most importantly, help the trustee to manage the investment decision-making process.

Writing an investment policy statement is the heart of investment management consulting.

Role of the Investment Manager: As opposed to the investment consultant (who is responsible for managing the investment process) investment managers are responsible for making investment decisions (***security selection and price decisions***). They can be either active or passive managers.

Specific duties of the Investment Manager:

1. Manage the assets under their supervision
2. Exercise full investment discretion with regards to buying, managing, and selling assets
3. Vote promptly all proxies and related actions
4. Communicate to all significant changes pertaining to the fund it manages or the firm itself.
5. Effect all transactions subject "to best price and execution."
6. Use the same care, skill, prudence, and due diligence that experienced investment professionals acting in a like capacity would use
7. If managing a separate account, acknowledge co-fiduciary responsibility

Specific duties of the Custodian:

1. Maintain separate accounts
2. Value the holdings
3. Collect income & dividends
4. Settle all transactions
5. Provide monthly reports

6. Drafting the IPS

Fiduciary law recommends that you document your investment process. Documenting your investment philosophy, investment strategy and investment process also helps make decision-making easier for both current and future board members because all decision makers can read the documents to learn about current investment philosophy and strategy. This documentation (particularly the investment policy statement) are extremely helpful to both investment management consultants and professional investment management firms that you may hire to help you manage your investment portfolio.

There are six areas that can and should be documented to show that you are using a prudent process in your investment decision-making:

1. Document your investment process
2. Document your investment policy
3. Document your *asset allocation decision*
4. Document your manager selection process
5. Document your performance monitoring
6. Document your ongoing due diligence

As you look for a process to draft an investment policy statement, you can choose one of the following approaches:

1. Draft the IPS from “scratch” – very difficult and not recommended
2. Find a sample IPS to “copy” – also not recommended as you don’t want to copy the homework of a mediocre student
3. Find an IPS outline (standard format) – this is a good start to organize your thoughts
4. Find a sample IPS to provide a:
 1. Standard format – best idea to role model best practices
 2. Boilerplate language – use the language that will make sense for all of your investment policy statements

Who are the “A” students?

The first step in the process used to draft an investment policy statement: start with an investment policy statement outline. We like to adopt the outline published in the book: Management of Investment Decisions.

https://www.aicria.com/images/pdf/educationaldocuments/2010_Allodium_IPS_Outline_PDF.pdf

In the second step of the process used to draft an investment policy statement, find a sample investment policy statement to look for the boilerplate language that can be used to define roles & responsibilities, multiple asset classes, sample asset allocation percentages and ranges, investment manager due diligence criteria, etc. Here is a link to a samples investment policy statement. Here is a link to a sample investment policy statement for a foundation:

<https://www.aicria.com/images/pdf/educationaldocuments/2010-Sample-Investment-Policy-Statement-Anchor-Foundation.pdf>

The drafting of an investment policy statement is a collaborative effort between the fiduciary investor and the investment management consultant. It is an iterative process that requires the interested parties to draft and redraft the investment policy statement until it reflects the investment philosophy, investment strategy and investment goals of the fiduciary entity.

7. Using the IPS

There are many ways to use the investment policy statement as a tool to build consensus between the various relationships:

1. Trustee and beneficiary
2. Nonprofit board and donor base
3. 401k plan sponsor and plan participants

We like to recommend that the fiduciaries adopt a transparent approach and develop a plan to provide full disclosure of the investment policy statement to their audience.

The fiduciaries have an obligation to perform periodic reviews of the investment policy statement and the related investment decision-making process. A trustee or an investment committee might adopt the following meeting schedule:

- *Quarterly* meetings to review the portfolio
- *Annual* meeting to review the investment policy statement
- *Interim* meetings to address urgent issues

To manage time efficiently and to spread the investment policy review over the four quarters of the year, the attached “Investment Committee Annual Governance Plan – Calendar of Recurring Topics for Review” is an example of how one investment committee has decided to spread their work out over the four quarterly meetings throughout the year:

The fiduciary investor can also use the investment policy statement to build consensus by creating and maintaining a Historical Record of Investment Policy Decisions:

1. to record Investment Policy Decisions and Changes to Investment Policy over Time
2. to provide to All Fiduciary Decision Makers at the Annual Review Meeting
3. to attach to the Investment Policy Statement as an appendix

This provides a record (evidence) of the changes to the investment policy over a period of years.

All documents related to the investment management process should be maintained in a central location. We call this the "fiduciary file." This file is the definitive source of information regarding the investment decision-making process.

Fiduciary files can be either hard copy or virtual (electronic) and should include:

1. Applicable trust documents,
2. Custodial and/or brokerage statements,
3. Investment performance reports,
4. Service agreements with investment management vendors,
5. The Investment policy statement and committee minutes,
6. Most recent asset allocation and/or asset liability studies,
7. Due diligence files on funds and other investment managers, and
8. Monitoring procedures for funds and other investment managers.

Another idea to use the investment policy statement to build consensus is to use the questions in the Fi360 Self-Assessment of Fiduciary Excellence (SAFE) to improve investment stewardship.

https://www.aicria.com/images/pdf/educationaldocuments/2013_Self-Assessment_of_Fiduciary_Excellence_for_Investment_Stewards.pdf

The fiduciary should review some of the following items:

1. Governance
2. Inflows
3. Investment policy
4. Investment Management
5. Financial

Other educational resources related to the use of the investment policy statement are as follows:

1. Investment fiduciary checklist
2. Sample Fiduciary Acknowledgement Letter
3. Sample Investment Committee Meeting Minutes
4. Sample Investment Policy Statements

8. Educational Resources

Books:

1. ***The Management of Investment Decisions***, Donald Trone, William Albright, Phillip Taylor (McGraw-Hill)
2. ***How to Write an Investment Policy Statement***, Jack Gardner
3. ***The New Fiduciary Standard***, Tim Hatton
4. Also ***Winning the Loser's Game***, Seventh Edition: Timeless Strategies for Successful Investing Hardcover – April 3, 2017. By Charles D. Ellis, (Author). His original edition of this book was published under the title: ***Investment Policy***: How to Win the Loser's Game Hardcover – September, 1992, By Charles D. Ellis, (Author). <https://www.aicria.com/resources/educational/recommended-books.html>

Fi30 & CEFEX:

Fi360 resources & Prudent Practices handbooks: www.fi360.com

CEFEX resources: <https://www.cefex.org/>

Fi360 Documents

1. The Prudent Practices:
 1. 2013 Prudent Practices for Investment Stewards Handbook
 2. 2013 Prudent Practices for Investment Advisors Handbook
 3. 2013 Prudent Practices for Investment Managers Handbook
 4. 2019 Prudent Practices for Investment Advisors
 5. 2013 Self-Assessment of Fiduciary Excellence for Investment Stewards (SAFE)
 6. 2012 Periodic Table of Global Fiduciary Practices for Investment Stewards
 7. 2017 Periodic Table of Global Fiduciary Practices for Investment Stewards
 8. 2017 Fiduciary Placemat
2. The Fiduciary Score:
 1. Two Page Fiduciary Score Methodology
 2. Eight Page Fiduciary Score Methodology
 3. MacroRisk Research Report Evaluating the Value Added by the Fi360 Fiduciary Score
 4. 2017 CFPI Analysis of the Fi360 Fiduciary Score: "Red is STOP, Green is GO"
 5. The Value of the Fi360 Toolkit for Clients of Advisors
3. Investment Committee:
 1. Bylaws for the Formation of an Investment Committee
 2. Fiduciary Acknowledgement Letter and Response
 3. 2016 Periodic Investment Review Checklist
4. Hiring Investment Advisors:
 1. The Benefits of Choosing an AIF Designee for Individual Investors
 2. The Benefits of Choosing an AIF Designee for Investment Stewards
 3. Questions a Steward Should Ask
 4. How Clients Benefit from Their Advisor's CEFEX Certification
 5. The Road to Fiduciary Security Begins with a CEFEX Certified Advisor
5. Sample Investment Policy Statements:
 1. 2013 Fi360 Sample Investment Policy Statement for a Personal Trust
 2. 2013 Fi360 Sample Investment Policy Statement for an Individual
 3. 2013 Fi360 Sample Investment Policy Statement for a Foundation
 4. 2008 Fi360 Sample Investment Policy Statement for a Personal Trust
 5. 2007 Fi360 Sample Investment Policy Statement for an Individual IRA Account
 6. 2005 Fi360 Sample Investment Policy Statement for a Foundation
 7. 2005 Fi360 Sample Investment Policy Statement for a 401k Plan
 8. 2003 Fi360 Sample Investment Policy Statement for a Foundation
 9. 2002 Fi360 Sample Investment Policy Statement for a Defined Contribution Retirement Plan
 10. 2002 Fi360 Sample Investment Policy Statement for a Defined Benefit Plan
 11. 2002 Fi360 Sample Investment Policy Statement for an Individual Investor
 12. 2002 Fi360 Sample Investment Policy Statement for a Foundation

Allodium: <https://www.aicria.com/resources/educational/fi360-documents.html>

Allodium Investment Consultants:

Allodium Documents:

1. Investment Policy Statements:
 1. Sample Investment Policy Statement Outline
 2. 2011 Sample Family Foundation Investment Policy Statement
 3. 2010 Sample Anchor Foundation Investment Policy Statement

2. Fiduciary Management:

1. Fiduciary Audit File Checklist

3. Allodium White Papers:

1. An Evidence-Based Approach to Sustainable Investing
2. The ABCs of Behavioral Biases
3. Food for Thought: Reducing the Risk of Black Swans
4. Evidence-Based Investment Insights
5. The Viability of the Value Premium
6. Trustee Intelligence: The Role of the Investment Management Consultant

Allodium Resources:

<https://www.aicria.com/>

<https://www.aicria.com/resources/educational.html>

<https://www.aicria.com/associations/alliances-fi360.html>

<https://www.aicria.com/associations/alliances-cefex.html>

<https://www.aicria.com/resources/educational/allodium-documents.html>

3ethos:

3ethos provides behavioral governance education and training for investment fiduciaries. They can provide custom training at your site, or you can attend one of their upcoming programs.

L5 is a 1-day orientation to prepare professionals to become members of the Behavioral Governance Society. The mission of the Society is to accelerate the development of key decision-makers that are serving in critical leadership and stewardship roles.

The GFS® is the only fiduciary designation which is based on leadership, stewardship, and governance.

This is a 15-hour program that is based on a blended learning format.

<https://www.3ethos.com/>

9. Summary

How can you use your investment policy statement to improve your investment decision-making process?

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