
THE GREATER TACOMA COMMUNITY FOUNDATION

INVESTMENT POLICY STATEMENT

Effective Date: This policy is effective as of August 13, 2002 and to be amended April, 2006.

I. STATEMENT OF RESPONSIBILITIES

It is expected that The Investment Committee, Managers and Consultant will discharge their respective responsibilities in accordance with normal fiduciary standards that are (a) in the sole interest of the beneficiaries; (b) with the care and the skill of a prudent investor with similar objectives.

Investment Committee

Establish and Annually Review the Investment Policy Statement

The Investment Committee shall:

- establish investment policy for the Foundation.
- establish procedures for monitoring the policy.
- annually review the investment policy to ensure that the goals and objectives are still valid. Any exception to these guidelines must be made by the investment committee.
- review the underlying capital market assumptions used to form the asset allocation for this policy.

Review of Investment Performance

The Investment Committee shall:

- formally review the investment performance of the total fund and its components at least quarterly to determine whether the fund's investment performance has met the performance objectives

Selection of Investment Managers and/or Commingled Funds

The Investment Committee shall have the responsibility to:

- select qualified investment managers or appropriate commingled funds.
- oversee the investment managers or funds.
- replace as necessary investment managers or commingled funds that underperform.

Investment Consultant

The Investment Consultant is charged with the responsibility to:

- assist the Investment Committee in developing ongoing investment policy.
- assist The Foundation in conducting relevant activities associated with the professionally managed assets under supervision,
- provide for quarterly investment performance monitoring and analysis, investment manager and commingled fund selection.
- provide revised model portfolios when requested by the Investment Committee.

II. GENERAL INVESTMENT GOALS AND SPENDING POLICY

In order to protect the purchasing power of capital and to meet the current spending needs, the net asset value of the existing portfolio must produce real (inflation-adjusted) growth even without gift additions. This Investment Policy strives to establish the framework to provide current income and real growth by investing in a diversified mixture of asset classes that are collectively expected to provide an acceptable level of return for an acceptable level of risk over time.

A minimum goal of the Foundation is to achieve a total return, on a sixteen quarter moving average basis, equal to the spending rate of 4.7% plus the administration fee of 1.75% and the current investment consultant fee plus the rate of inflation as measured by the Consumer Price Index (CPI) for urban customers.

The Foundation currently has no unique liquidity needs other than the funding of programs and gifts from its ongoing operations.

The Foundation's Spending Policy annually distributes to fund beneficiaries 4.7% of a sixteen quarter rolling market value average on a unit value basis. Additionally, a 1.75% administrative annual fee is charged to the fund based on the sixteen quarter rolling market value average.

Investment decisions shall optimize the total rate of return and limit year-to-year risk of income and market fluctuations. The optimal portfolio allocation is one that carefully equates expected rate of return with expected risk of all investment categories used in the portfolio.

It is the Investment Committee's intention not to employ market-timing techniques. The target allocation below is designed to be a strategic allocation that will perform as expected under a variety of market environments. The Investment Committee will review the asset allocation and the underlying capital market assumptions annually to ensure that they are still valid. If it is determined that one or more asset class assumption needs revision, the Committee may ask the Investment Consultant to provide several revised model portfolios for consideration.

The Investment Committee has determined that both passive investment strategies and active investment strategies will be used. Passive investment strategies are strategies that simply strive to match a market index. In highly efficient markets, recent research indicates that many active investment managers fail to add value beyond their respective market indices after fees are considered. In less efficient markets, such as small capitalization equity markets and the international equity markets, many active managers over long time horizons are able to add value above their respective indices.

U.S. Large Cap Core Equities

At this time it appears that most U.S. Large Cap Core Equity managers have failed to add significant value over time after fees are considered. Therefore, a passive investment strategy will be used for this asset class.

U.S. Small/Mid Cap Equities

At this time it appears that many Small and Small/Mid Cap managers have added value over time relative to their respective indices even after fees are considered. Therefore, one or more active investment management strategies will be used for this asset class.

Domestic Fixed Income

Domestic Fixed Income is an asset class where it appears that active managers can add incremental value relative to its respective indices. Therefore, one or more active investment management strategies will be used for this asset class.

International Equities

International Equities is an asset classes where it appears that active managers can add incremental value relative to its respective indices. Therefore, one or more active investment management strategies will be used for this asset class.

Alternative Investments/Real Estate Investment

Evidence suggests that the active management of real estate can add value over time after fees are considered. Active investment strategies will be used for this asset class.

III. STRATEGIC LONG TERM ASSET ALLOCATION POLICY

The following asset allocation is adopted.

Asset Class	Minimum	Target	Maximum
DOMESTIC EQUITIES	42%	44%	55%
U.S. Core Large Cap	15%	20%	30%
U.S. Mid Cap	8%	10%	12%
U. S. Small Cap Value	8%	10%	12%
U.S. Small Cap Growth	2%	4%	6%
INTERNATIONAL EQUITIES			
International Equities	9%	13%	18%
U.S. FIXED INCOME	10%	15%	20%
ALTERNATIVE INVESTMENTS (Hedge fund-of-funds)	10%	15%	20%

REAL ESTATE	0%	13%	18%
CASH	0%	0%	5%

ACTIVE & PASSIVE ALLOCATIONS

Asset Class	Active/Passive	Benchmark	Allocation
U.S. Core Large Cap	Passive	Russell 1000 Index	20%
U.S. Mid Cap	Active	Russell 2500 Index	10%
U.S. Small Cap Value	Active	Russell 2000 Value Index	10%
U.S. Small Cap Growth	Active	Russell 2000 Growth Index	4%
International Equities	Active	MSCI EAFE Index	13%
U.S. Fixed Income	Active	Lehman Brothers Aggregate Index	15%
Alternative Investments	Active	HFRI Fund of Funds Composite	15%
Real Estate	Active	NAR REIT Index	13%
Cash & Equivalents	N/A	N/A	0%

Rebalancing To Target Allocations

It is anticipated that the overall model portfolio allocations will vary somewhat from the target allocation (+/- 5%) due to market conditions.

Allocations that show greater variance from a +/- 5% (+/- 2% for Small Cap, Mid Cap, and International) range should be rebalanced back to the strategic target allocation unless the Investment Committee specifically approves the variance. The Controller of the Foundation, with the approval of the President of the Foundation, and after consulting with the Investment Consultant, will have the authority to rebalance assets back to their respective strategic target allocations when there is a +/- 5% (+/- 2% for Small Cap, Small/Mid Cap, and International) variance.

Investment managers need not maintain specific levels of liquidity unless so advised by the Investment Committee.

IV. INVESTMENT OBJECTIVES

Even though the review of investment performance will occur on a more frequent basis, the performance of the Total Fund and its components should be evaluated versus objectives over a full market cycle. Typically market cycles last three-to-five years and sometimes are extended over a longer time horizon.

The specific long-term strategic objectives for The Greater Tacoma Community Foundation endowment fund portfolio, both in total and for the respective segments, will be compared in the following manner:

Total Fund Performance Objectives

- (1) In measuring performance, a full market cycle is understood as a typical three-to-five year period during which U.S. economy actively rises and falls.
- (2) An annualized return of 4.7% plus 1.75% and the current investment consultant fees over the rate of inflation as measured by the Consumer Price Index (CPI) for urban consumers.
- (3) For the manager of a balanced or equity fund, the performance measurement should include that portion of cash balances held as a tactical tool for the portfolio.
- (4) Placement of the Total Fund in the top 50th percentile of similar risk total portfolios, assuming that data is available on other portfolios with similar risk/reward characteristics.
- (5) The Total Fund will have as an objective to exceed the Policy Index, which composite index return is based on the Strategic Target Allocation. The Policy Index is made up of the following indices:

20%	Russell 1000 Index
10%	Russell 2500 Index
10%	Russell 2000 Value Index

4%	Russell 2000 Growth Index
13%	MSCI EAFE Index
15%	Lehman Brothers Aggregate Bond Index
15%	HFRI Fund of Funds Composite
13%	NAR REIT Index

- (6) The combined U.S. Large Cap, U.S. Mid Cap and U.S. Small Cap allocations have the objective of outperforming a comparable Russell 3000 indexed investment on an after-fee basis

Asset Class Performance Objectives

(1) Cash Equivalents

- To achieve a total annualized rate of return of 1% over the rate of inflation as measured by the Consumer Price Index.
- To achieve a risk-adjusted annual rate of return at least equal to the return on 91-day Treasury bills.

(2) U.S. Core Large Capitalization Equities

- U.S. Core Large Cap managers or funds should produce total annualized rate of return of 5% over the rate of inflation as measured by CPI for urban consumers.
- U.S. Core Large Cap index fund is expected to match the performance of the Russell 1000 Index with less than a 50 basis point downside tracking error.
- All core equity managers or funds are expected to rank in the top 50th percentile of a comparable core equity universe over a full- market cycle.

(3) U.S. Small/Mid Capitalization Equities

- Small/Mid capitalization managers or funds should produce a total annualized rate of return of 6% over the rate of inflation as measured by CPI for urban consumers.
- Actively managed small/mid capitalization managers or fund should produce an annual after-fee return equal to a proportionate Russell 2500 Index plus 1%.
- Actively managed small/mid capitalization managers or funds should produce return results with no more than one and one half times the standard deviation of the Russell 2500 Index based on quarterly standard deviations.
- All small/mid capitalization managers or funds are expected to rank in the top 50th percentile of a comparable small/mid capitalization equity universe over a full-market cycle.

(4) U.S. Small Capitalization Value Equities

- Small capitalization value managers or funds should produce a total annualized rate of return of 6% over the rate of inflation as measured by CPI for urban consumers.
- Actively managed small capitalization value managers or funds should produce an annual after-fee return equal to the Russell 2000 Value Index plus 1%.
- Actively managed small capitalization value managers or funds should produce return results with no more than one and one half times the standard deviation of the Russell 2000 Value Index based on quarterly standard deviations.
- All small capitalization value managers or funds are expected to rank in the top 50th percentile of a comparable small capitalization value equity universe over a full-market cycle.

(5) U.S. Small Capitalization Growth Equities

- Small capitalization growth managers or funds should produce a total annualized rate of return of 6% over the rate of inflation as measured by CPI for urban consumers.
- Actively managed small capitalization growth managers or funds should produce an annual after-fee return equal to the Russell 2000 Growth Index plus 1%.
- Actively managed small capitalization growth managers or funds should produce return results with no more than one and one half times the standard deviation of the Russell 2000 Growth Index based on quarterly standard deviations.
- All small capitalization growth managers or funds are expected to rank in the top 50th percentile of a comparable small capitalization growth equity universe over a full-market cycle.

(6) International Equities

- International equities funds should produce a total annualized rate of return of 6% over the rate of inflation as measured by CPI for urban consumers.
- Actively managed international equity funds should produce an annual after-fee rate of return equal to a proportionate MSCI EAFE Index plus 1% expressed in U.S. dollars.
- Actively managed international equity funds should produce return results with no more than one and one half times the standard deviation of the MSCI EAFE Index based on quarterly standard deviations.
- All international equity funds are expected to rank in the top 50th percentile of a comparable international equity universe over a full-market cycle.

(7) U.S. Fixed Income

- U.S. fixed income funds should produce a total annualized rate of return of 3% over the rate of inflation as measure by CPI for urban consumers.
- Actively managed U.S. fixed income funds should produce an annual after-fee return equal to the Lehman Brothers Aggregate Bond Index plus .30%.
- Actively managed U.S. fixed income should produce return results with no more than one and one quarter times the standard deviation of the Lehman Brothers Aggregate Bond Index based on quarterly standard deviations.
- All U.S. fixed income funds are expected to rank in the top 50th percentile of a comparable fixed income universe over a full-market cycle.

(8) Real Estate

- The Real Estate Fund should produce a total annualized rate of return of 5% over the rate of inflation as measure by CPI for urban consumers.
- Actively managed Commingled Real Estate Funds should produce an annual after-fee return equal to the NAR REIT Index plus .50%.
- The Real Estate Fund is expected to rank in the top 50th percentile of a comparable actively managed real estate universe over a full-market cycle.

(9) Alternative Investments

- Alternative Investments can help reduce the overall volatility of a total portfolio. This is due to the fact that many alternative assets have low correlation or no correlation to traditional markets.
- Alternative investments may help improve a portfolio's total return over time. To diversify its investments the Endowment will, in general, seek to invest in the alternative asset class through Multi-Manager Funds. By utilizing a multi-manager approach the Endowment seeks to minimize the inherent manager specific risks associated with investing in an Alternative Investment asset class.

Multi- Manager Fund General Criteria

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- The Multi-Manager Fund should have at least a three-year performance record.
 - The Multi-Manager Fund should seek to diversify the assets by manager and by investment strategy.
 - The Multi-Manager Fund should seek out strategies and managers that have proven track records of consistent long-term performance or capability.
 - The Multi-Manager Fund should have no less than ten investment managers. No single manager should represent more than 15% of the total portfolio.
 - The Multi-Manager Fund should have no more than 40% of the fund invested in any single investment strategy.
 - An independent auditing firm will audit the Multi-Manager Fund at least on an annual basis. The Multi-Manager Fund will provide monthly reports regarding performance and provide an investor letter at least on a quarterly basis.
 - The principals of each Multi-Manager Fund should have a significant portion of his/her net worth invested in his or her particular strategy.
 - The Multi-Manager Fund should have significant corporate infrastructures established so that the monitoring and implementation of the fund is not solely dependent on one individual.
 - It is preferable that Multi-Manager incentive fees are paid only after established hurdle rates have been achieved. In addition, annualized absolute return “high water” marks should be achieved before incentive fees are paid.
 - The use of leverage is allowed but shall be limited to a maximum leverage ratio of 2 to 1 (A portfolio that is 100% long and 100% short is considered to have a leverage ratio of 1 to 1). In a multi-manager approach, the above characteristics shall be evaluated on a collective basis, rather than on a manager-by-manager.
 - Liquid alternative Multi-Manager strategies can include Relative Value (Absolute Return), Event Driven, Hedge Fund Strategies, and Macro Global strategies.

Performance Objectives

- Multi-manager strategies should produce a total annualized rate of return of 8% over the rate of inflation as measure by CPI for urban consumers.
- Multi-manager strategies should produce an annual rate of return at least equal to the S&P 500 plus 1%.
- Multi-manager strategies should produce return results with no more one and a half times the standard deviation of the S&P 500 Index on a quarterly basis.
- Absolute return strategies are expected to meet or exceed the HFRI Fund of Funds Composite Index on a return basis with equal or lower risk.

Venture Capital and Private Equity

Venture capital and private equity may include a broad range of non-liquid marketable U.S. securities. These alternative strategies, implemented by capable managers, have the potential to enhance the equity returns of the Foundation. However, compared to traditional assets these funds historically have attractive risk/return characteristics. Therefore, the inclusion of venture capital and private equity as an asset class should help the Foundation achieve increased relative returns with an acceptable level of risk.

Performance Objectives

- Venture capital and private equity strategies should produce a total annualized rate of return of 8% over the rate of inflation as measure by CPI for urban consumers.
- Venture capital or private equity strategies are expected to exceed the S & P 500 Index plus 1% on a return basis.
- Such investments shall not initially be included in the performance review, and will be held at cost, until the General Partners of these investment funds begin to provide at least annual appraisals of value.

V. SEPARATE ACCOUNT MANAGER GUIDELINES

- (1) Equity Segment will have the following guidelines:
 - The portfolio will be of good quality containing profitable companies with a minimum of a five-year operating record.
 - A maximum of 10% investment of the equity assets in any one stock, calculated at market, and no more than 5% of an individual company's shares outstanding.
 - Prudently diversified by industry and sector.
 - No stock options, short sales, margin purchases, letter stocks, private placement securities or commodities.
 - No investment in foreign equity securities unless the acquisition of such securities is deemed by the manager to be a prudent investment. American Depository Receipts (ADRs) will not exceed 10% of the equity portfolio. (This statement does not apply to international managers.)
 - Turnover, if more than 40% of the equity portfolio is sold in a single quarter, the investment manager will submit to the Investment Committee a full explanation for the reasons behind its trading activity.
 - Convertible securities will be considered equity securities.

- (2) Fixed Income Segment will have the following guidelines:
 - In general, maturities should be controlled so that this portfolio does not experience wide fluctuations in return relative to the Lehman Brothers Aggregate Bond Index. No more than 25% of the fixed income investments shall have more than 10 years remaining to maturity. Mortgage-backed pass-through issues and collateralized mortgage obligations (CMO's) will be calculated using their "average life" or expected maturity.
 - Prudently diversified by industry, as it applies to corporate issues, and by fixed income sectors.
 - No more than 50% may be invested in collateralized mortgage obligations (CMO's) and no more than 10% may be invested in interest only, principal-only, or floater CMO's.
 - No more than 5%, calculated at market, of the fixed income assets should be held in any one issue with the exception of issues of the U.S. Treasury and U.S. Government Agency issues.
 - Investment in any one security shall not exceed 5% of the total fixed income portfolio market value.
 - A minimum quality rating of "A" by Moody's or by Standard & Poor's at the time of purchase.
 - In no circumstances shall a bond portfolio's overall credit rating drop below BAA/BBB.
 - No investment in private placement securities, inverse interest CMO's, inverse floater CMO's or Z bonds.
 - No investment in foreign fixed income securities unless the acquisition of such securities is deemed by the manager to be a prudent investment.
 - Eurobonds will be limited to:
 - Any Eurobond issued by a U.S. Company.
 - The issuer must be subject to the jurisdiction of the U.S. court system.
 - All prospective payments must be in U.S. dollars through a paying agent available in the U.S.
 - Cash and Equivalents investments will emphasize safety of principal and liquidity. The minimum acceptable rating on commercial paper is P-1, A-1 by Moody's or Standard & Poor's. A maximum non-pooled investment in individual securities will be limited to 10% of the total fixed income portfolio except in U.S. Treasury or Agency issues.

- (3) Derivatives Instruments

No investment shall be made in derivative securities except where they offer the most economic means of improving the risk/reward profile of the portfolio (i.e., always compare the cost of derivatives to the cost of constructing an equivalent position in traditional securities). Derivative securities shall not be used in any way that results in outright exposure to changes in the value of assets or indices that by themselves would not be purchased for the portfolio. The use of derivative securities shall not increase portfolio risk above the level that could be achieved in the portfolio using only traditional investment securities. In particular (a) the use of derivative securities in any program or technique shall not cause overall portfolio interest rate sensitivity to exceed the investment guidelines, and (b) the use of derivative securities shall not violate either the letter or the spirit of the investment guidelines that limit exposure to market, sector, and security risks.

(4) Quality of Securities

The Foundation's portfolio will be comprised of predominately "Investment Grade" securities. Investment will be of the nature deemed acceptable by a "reasonable" person "exercising ordinary business care and prudence under the facts and circumstances prevailing at the time of any action or decision."

APPENDIX A

The Annuity Fund

I. INVESTMENT OBJECTIVES

The investment objectives for the Annuity Fund will be for the asset value, exclusive of contributions or withdrawals, to grow over time and earn, through a combination of investment income and capital appreciation, a rate of return (time-weighted total return) in excess of the benchmarks established for the long-term (three-five years). The Annuity Fund will generally follow the Investment Guidelines for the Community Foundation

II. PERFORMANCE OBJECTIVES

- A. The Total Fund seeks to exceed a custom index made up of the following indices: 20% Russell 1000 Index, 10% Russell 2500 Index, 10% Russell 2000 Value Index, 4% Russell 2000 Growth Index, 13% MSCI EAFE Index, 30% Lehman Brothers Aggregate Bond Index, and 13% NAR REIT Equity Index.
- B. The Total Fund is expected to rank in the top 50th percentile of a comparable balanced funds universe over a full market cycle.

III. ASSET ALLOCATION

The following allocations of the assets of the Annuity Fund shall serve as the general guidelines for the investments of the Annuity Fund and reallocating as necessary.

Asset Class	Target Allocation	Minimum	Maximum
U.S Equities	44%	40%	55%
Large Cap Core	20%	15%	30%
Mid Cap	10%	8%	12%
Small Cap Value	10%	8%	12%
Small Cap Growth	4%	2%	6%
International (Non-U.S.) Equities	13%	9%	18%
U.S. Fixed Income	30%	20%	40%
Real Estate	13%	10%	18%

APPENDIX B

The Pierce County Housing Authority Fund

I. INVESTMENT OBJECTIVES

The investment objectives for the Pierce County Housing Fund will be for the asset value, exclusive of contributions or withdrawals, to grow over time and earn, through a combination of investment income and capital appreciation, a rate of return (time-weighted total return) in excess of the benchmarks established for the long-term (three-five years). The Pierce County Housing Fund will generally follow the Investment Guidelines for the Community Foundation

II. DISTRIBUTION OBJECTIVE

The distribution objective of the Fund is to pay out amounts per the schedule of cash flows as determined by the Foundation on an annual basis.

III. ASSET ALLOCATION

The following allocations of the assets of the Pierce County Housing Fund shall serve as the general guidelines for the investments of the Pierce County Housing Fund.

Asset Class	Target Allocation	Minimum	Maximum
U.S Equities	10%	5%	15%
International (Non-U.S.) Equities	5%	0%	8%
U.S. Fixed Income & Cash	80%	70%	95%
Real Estate	5%	0%	8%

APPENDIX C

The Ryan Hade Trust Fund

I. INVESTMENT OBJECTIVES

The investment objectives for the Ryan Hade Trust Fund will be for the asset value, exclusive of contributions or withdrawals, to grow over time and earn, through a combination of investment income and capital appreciation, a rate of return (time-weighted total return) in excess of the benchmarks established for the long-term (three-five years). The Ryan Hade Trust Fund will generally follow the Investment Guidelines for the Community Foundation

II. PERFORMANCE OBJECTIVES

- A. The Total Fund seeks to exceed a custom index made up of the following indices: 20% Russell 1000 Index, 10% Russell 2500 Index, 10% Russell 2000 Value Index, 4% Russell 2000 Growth Index, 13% MSCI EAFE Index, 30% Lehman Brothers Aggregate Bond Index, and 13% NAR REIT Equity Index.
- B. The Total Fund is expected to outperform the median fund in a representative performance universe.

III. ASSET ALLOCATION

The following allocations of the assets of the Ryan Hade Trust Fund shall serve as the general guidelines for the investments of the Ryan Hade Trust Fund.

Asset Class	Target Allocation	Minimum	Maximum
U.S Equities	44%	40%	55%
Large Cap Core	20%	15%	30%
Mid Cap	10%	8%	12%
Small Cap Value	10%	8%	12%
Small Cap Growth	4%	2%	6%
International (Non-U.S.) Equities	13%	10%	18%
U.S. Fixed Income	30%	20%	40%
Real Estate	13%	10%	18%