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**Subject: CEMETERY PERPETUAL CARE  
TRUST FUND INVESTMENT  
POLICY**

**No. 20.5**

**Date: February 21, 2005**

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**OBJECTIVE:**

To accumulate and to preserve in perpetuity a pool of assets, the "Trust," sufficient to meet the cash needs of cemeteries owned by the City of Kalamazoo as outlined in the City Ordinance 1778 and the Kalamazoo City Code as referenced therein.

**POLICY:**

It is the policy of the Perpetual Care Investment Committee (PCIC) to apply the industry standard of prudence to the management the Trust assets, which states:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

Committee members and investment staff acting in accordance with this policy statement or any other written procedures pertaining to the administration and management of the Trust and who exercise the proper due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes.

Committee members and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Further, no committee member or employee involved in the investment process shall use the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that would create an improper influence upon the service providers with respect to that provider's function(s) on behalf of the Trust.

**STRATEGY:**

The Trust shall be managed according to the following hierarchy:

1. **Safety** - The single most important objective of the investment program is the preservation of principal of those funds within the Trust.

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2. **Liquidity** - The assets of the Trust shall be managed in such a manner that assures that funds are available as needed to meet immediate and future operating requirements of City owned cemeteries as described in the ordinance.
3. **Yield** - Compliant with applicable laws, regulations and ordinances the Trust's assets will be invested to maximize long-term cumulative total returns within the risk parameters established by the investment committee.

## **INVESTMENT GUIDELINES:**

### Asset Classes

The Perpetual Care Investment Committee will construct a diversified portfolio designed to maximize long-term risk-adjusted total return. Modern portfolio theory will be used to provide the optimal risk-adjusted returns.

Assets will be diversified by asset class: domestic equities, foreign equities, fixed income, and real estate; and within each asset class by: indexation vs. active management, growth vs. value, small vs. large, etc.

### Performance Measurement and Review

The following criteria will be used to evaluate each manager's performance.

1. Performance against appropriate benchmark.
2. Subjective observations regarding the manager's organization, professionalism, administrative skills, etc.
3. Member(s) of the Perpetual Care Investment Committee will meet with each manager not less than two (2) times each year. Normally, once at the manager's site and once in Kalamazoo. Such due diligence visits will normally be coordinated with visits of the Retirement Investment Committee (RIC). The Perpetual Care Investment Committee will report in writing all findings from due diligence meetings.

### Compliance

1. The Trust expects each of its managers, trustees, service providers and other fiduciaries to be familiar with the laws and regulations governing the Trust's assets

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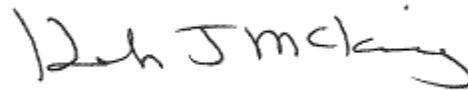
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and to invest accordingly. Should there be any conflict with the Trust's policy and the applicable laws and regulations, then said laws and regulations will prevail.

2. The Perpetual Care Investment Committee expects each of the Trust's managers or service providers to maintain or advise the Committee as to any changes from style, philosophy or strategies for which they were hired.
3. The Perpetual Care Investment Committee expects each of the investment managers to maintain a fully invested position. However, it is recognized that the manager may have cash or cash equivalent from time to time.
4. Equity managers may not invest in letter stock.
5. Derivatives can be used to reduce portfolio risk. Derivative instruments cannot be used for speculation under any circumstances. The Committee will review and approve the manager's policy on the use of derivatives. If derivatives are used, the manager must report quarterly to the Committee the derivative exposure.

**EFFECTIVE DATE:** February 21, 2005



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Hannah J. McKinney, Mayor

**HISTORY:**

February 21, 2005 – the City Commission approved the investment policy and strategy for the Perpetual Care Fund