

# **INVESTMENT POLICY STATEMENT**

**NORTH CAROLINA CEMETERY COMMISSION  
PERPETUAL CARE TRUST  
OCTOBER 17, 2018**

Adopted by the NC Cemetery Commission on 10/17/2018

# **Investment Policy Statement**

## **North Carolina Cemetery Commission**

### **Perpetual Care Trust**

#### Purpose:

The purpose of the Perpetual Care Trust is to provide ongoing care and maintenance of the cemetery.

#### Investment Objective:

The Investment Advisor will manage the assets in a manner consistent with the provisions of this investment policy and applicable laws and regulations. The Trustee and Investment Advisor will establish strategic allocation targets for the trust assets, as well as minimum and maximum limits to be made in equities, fixed income, and other appropriate investments. The primary objective for this portfolio is to provide a balance between capital appreciation and current income.

#### Time Horizon:

Capital values do fluctuate over shorter periods, and the Cemetery Company should recognize that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over a long holding period can be minimized with the long-term investment mix employed under this Investment Policy Statement.

Due to the nature of these funds and their need to exist and be used on a perpetual basis, the time horizon for this portfolio is long term, defined as greater than 10 years.

### Performance Objective:

The primary objective for the portfolio is balance of capital appreciation and current income with a target return of 4% above the inflation rate over a full market cycle. The portfolio should be invested with a “Total Return” (seeking both income and capital appreciation) approach. Additional considerations include liquidity needs, preserving purchasing power, meeting annual distribution needs, stability of returns from year-to-year, and growth in the size of the portfolio.

### Risk Tolerance:

The Trustee and Investment Advisor acknowledge and recognize that some risk must be assumed in order to achieve the long-term investment objectives of the portfolio. Given the long-term investment horizon, the portfolio can tolerate a moderate level of risk and volatility in order to achieve the herein stated investment objective.

### Restrictions:

There are no specific restrictions for investments within the Perpetual Care Trust. However, the Trustee and Investment Advisor will apply the Prudent Person Rule when considering specific assets within the context of the Trust as a whole. For the purposes of this document, the Prudent Person Rule is defined by North Carolina Code - General Statutes § 32-71. Investment; prudent person rule.

### Distributions:

From § 65-61: No person shall withdraw or transfer any portion of the corpus of the care and maintenance trust fund without first obtaining written

consent from the Commission. In addition, the following parameters apply when considering distributions from the Trust:

1. Corpus is defined as the amount the cemetery has deposited into the trust(s) since the cemetery was founded.
2. Corpus may never be violated
3. The Corpus amount must be tracked and revised monthly
4. The maximum quarterly distribution is 5.0% of the total market value of the fund as of the last day of the prior year divided by 4.
5. No distribution is permitted when market value is less than Corpus.
6. The following formula will be used to calculate the allowable quarterly distribution:

The Trustee is responsible for tracking the Corpus and verifying the distribution to the Cemetery Company.

Corpus	12/31/2017	\$500,000	
Market Value	12/31/2017	\$516,000	
5.0% of Market Value on	12/31/2017	\$25,800	Annual Calculation
Annual Calculation / 4		\$6,450	Quarterly Distribution
Ending Value after distribution		\$509,550	Must be >/= Corpus

Fees and Expenses:

From § 65-64: The fees and other expenses of the trust fund shall be paid by the Trustee from the net income thereof and may not be paid from the corpus. The fees and expenses paid are inclusive of the distribution to the Cemetery Company. To the extent that the net income is not sufficient to pay the fees and other expenses, the fees and other expenses shall be paid by the Cemetery Company.

Legal & Regulatory Factors:

The North Carolina Cemetery Act and all applicable state statutes apply to the Investment Policy Statement and the Perpetual Care Trust itself. This includes but is not limited to § 65-60 through § 65-64 and North Carolina General Statutes Chapter 32: Fiduciaries § 32.71. Investment, Prudent Person Rule.

Suggested Asset Allocation Constraints:

<i>Conservative Allocation</i>			
	<u>Minimum</u>	<u>Maximum</u>	<u>Neutral</u>
<b>Cash &amp; Equivalents</b>	<b>0%</b>	<b>20%</b>	<b>6%</b>
<b>Fixed Income</b>	<b>50%</b>	<b>70%</b>	<b>60%</b>
<b>Equities</b>	<b>20%</b>	<b>40%</b>	<b>30%</b>
<b>Alternatives</b>	<b>0%</b>	<b>7%</b>	<b>4%</b>

<i>Moderate Allocation</i>			
	<u>Minimum</u>	<u>Maximum</u>	<u>Neutral</u>
<b>Cash &amp; Equivalents</b>	<b>0%</b>	<b>15%</b>	<b>4%</b>
<b>Fixed Income</b>	<b>30%</b>	<b>50%</b>	<b>40%</b>
<b>Equities</b>	<b>40%</b>	<b>60%</b>	<b>50%</b>
<b>Alternatives</b>	<b>0%</b>	<b>10%</b>	<b>6%</b>

<i>Aggressive Allocation</i>			
	<u>Minimum</u>	<u>Maximum</u>	<u>Neutral</u>
<b>Cash &amp; Equivalents</b>	<b>0%</b>	<b>10%</b>	<b>2%</b>
<b>Fixed Income</b>	<b>10%</b>	<b>30%</b>	<b>20%</b>
<b>Equities</b>	<b>60%</b>	<b>80%</b>	<b>70%</b>
<b>Alternatives</b>	<b>0%</b>	<b>20%</b>	<b>8%</b>

Approved Asset Classes:

**Cash & Cash Equivalents – Cash and Government backed securities less than one year until maturity**

**Equities – Large Cap, Small/Mid Cap, International, REITs**

**Fixed Income – Domestic, Foreign, High Yield, Municipal**

**Alternatives – Reviewed by Trustee and Investment Advisor, if outside the above classes.**

**Alternative assets must be both liquid and in accordance with the Prudent Person Rule as outlined above.**

Portfolio Benchmarks:

**Cash Equivalent Benchmark – 90-day Treasury Bill**

**Large Cap Equities Benchmark – Standard & Poor’s 500 Index**

**Small/Mid Cap Equities - Russell 2000**

**International Equities – MSCI EAFE**

**Fixed Income – Barclays Aggregate Bond Index**

**Alternatives – TBD**

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**North Carolina Cemetery Commission**

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**Date**

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**Trustee**

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**Date**

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**Investment Advisor**

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**Date**