PLAN of Maryland D.C. Investment Policy

Adopted by PLAN Board of Directors, Dec. 12, 2013

# Purpose

PLAN of Maryland D.C., Inc., provides private case management services to clients with long-term disabilities, such as mental illnesses. In order to continue such services after the death of parents or other sponsors, there is a PLAN Life Trust Program that manages Special Needs Trusts and provides support for beneficiaries while maintaining their eligibility for public benefits. PLAN manages funds in the Special Needs trusts as a fiduciary. Other funds that are owned by PLAN are held in the Future Funds (the PLAN Future Fund and the Kolker Fund). The purpose of this policy is to guide the investments of the Special Needs Trust Funds and the Future Funds.

The goals for investment of Special Needs Trust funds are to serve the needs of beneficiaries and to maintain the trust over many years. Generally, trust funds are drawn down over the years with variations from one trust to another because of the spending rate and the performance of investments. Preservation and moderate growth are goals for the investments, consistent with a risk tolerance that is set in accord with the circumstances of the particular trust.

The goals for investment of the Future Funds are to maintain assets for the organization’s operational needs and to meet shortfalls in operations. Gains in the Future Funds have helped to accelerate the payment of PLAN’s mortgage debt. The risk tolerance for the Future Funds should be set to allow appropriate growth of the invested corpus, as determined by the Board.

PLAN was started in 1985 and is now in its second quarter century. The need for PLAN services remains strong. The Life Trust Program, by its nature, has the goal to remain secure and stable over the lifetime of the beneficiaries. Thus, PLAN intends to stay in business permanently and its investment horizon is long term.

# Responsibilities

PLAN has an Executive Director and a volunteer Board of Directors that meet monthly. The officers of the Board are: President, Vice President, Secretary and Treasurer. The Board reviews the finances and operations each month and approves all significant expenditures from the Future Funds.

The Executive Director and Board of Directors meet with each investment adviser at least once every year at one of the regular Board meetings, preferably in January, April, July or October. The general investment strategy over the next 12 months should be discussed at these meetings.

Each trust has an escrow (cash) account that is held and administered by PLAN for payment of the beneficiary’s expenses expected over a quarter. Under normal circumstances, investments are liquidated once per quarter at the request of the Executive Director in order to replenish the escrow accounts. When this requires sales or other changes to the investments, the investment adviser is expected to provide short recommendations that explain the investment rationale for the changes. This should be timely for distribution to Board members in advance of the next Board meeting. After the recommendations have been discussed and approved by the Board, they are executed by signature of the President or Vice President of the Board. In unusual circumstances, the President may approve the recommended changes in investments prior to a Board discussion, with the understanding that they will be reviewed at the next Board meeting. The recommendations are kept as a record of the process and Board minutes record the approval

PLAN has a Life Trust Committee that reviews and approves trust applications. The goals are to ensure that the proposed trust is appropriate for PLAN and to understand the intentions of the trust creator. The Life Trust Committee recommends an initial risk-tolerance level for each trust. The Chair of the PLAN Life Trust Committee and the Executive Director are responsible for monitoring the expenditures of trust funds. Special requests for the expenditure of trust funds usually are referred to the Life Trust Committee.

Each trust should have a Trust Protector specified in the trust documents. The Protector receives financial reports on a quarterly basis in order to oversee the trust corpus. When a Trust Protector is no longer available, the Personal PLAN Review Committee (PPRC) receives the financial reports and the PPRC is entrusted to review the trust corpus and expenditures with regard to appropriate justification for the use of the trust funds.

# Investment Guidelines

PLAN’s Board of Directors manages the organization’s investments with the following strategies.

Separate accounts for each Special Needs Trust

Separate accounts for the Future Funds

Professional investment advice

Diversified investments with a Fund-of-Funds strategy

### Separate accounts for each Special Needs Trust

PLAN adheres to prudent investor standards for all Special Needs Trusts. Generally, PLAN prefers the assets of Special Needs Trusts to be invested in equity and bond mutual funds that have a 4-star or 5-star Morningstar rating. Alternative investments, such as hedge funds, commodities or options, are not encouraged but they may be approved when a sufficient rationale exists.

In general, the Special Needs Trust funds are expected to realize moderate growth with moderate risk. Risk tolerances are set for each investment account by the Board. Investments are distributed over equity and bond Funds as recommended by the investment adviser and approved by the Board of Directors in order to realize approximately the assigned risk. Each trust investment account may be invested in the same or similar Funds as other investment accounts.

If a trust has funds sufficient to meet the beneficiary’s expected needs for more than the next five years, a portion of the invested corpus may be designated for longer-term investments with an increased risk tolerance, at the discretion of the Board.

### Separate accounts for the Future Funds

PLAN-owned funds are invested in the PLAN Future Fund and the Kolker Fund. Risk tolerances are set by the Board of Directors and may be higher than for the Special Needs Trusts.

### Professional investment advice

The PLAN Board of Directors and Executive Director rely on the recommendations of qualified investment professionals for appropriate asset allocations and investments. Each investment firm executes purchases and sales and maintains formal tax records. Monthly reports on the status of investments are provided by each investment firm. At the end of the year, the investment firms provide tax information. PLAN uses a Certified Public Accountant to prepare the state and federal fiduciary tax returns for each trust. For trust beneficiaries with personal income, individual tax returns also are prepared by the CPA, unless other arrangements have been made.

Each investment adviser should have substantial experience and a record of integrity. The adviser should be affiliated with a national brokerage firm that handles the purchase and sale of securities. Fees for investment advice and brokerage services should be competitive and low.

Each adviser’s strategy should be consistent with the Board’s investment policy and the goals of prudent investment with moderate gains relative to appropriate benchmarks. For equities, PLAN uses the Standard and Poor’s 500 Index (symbol $SPX) as the benchmark. For fixed-income investments, PLAN uses iShares Barclay’s Aggregate Bond Index (symbol $AGG) as the benchmark. PLAN’s benchmark for each trust is equal to the percentage of investments in equities times the change in the Standard and Poor’s 500 Index, plus the percentage of investments in fixed income times the change of the iShares Barclay’s Aggregate Bond Index. The Board’s goal for investments is to outperform the PLAN benchmarks by an amount that covers the investment fees.

### Diversified investments with a Fund-of-Funds strategy

In order to diversify the investments, PLAN prefers to distribute funds over a broad range of Funds. Each trust account may hold investments in some or all of the Funds, however, smaller trusts generally are invested in fewer Funds. The risk tolerance is used to allocate assets to an appropriate mix of equities and bonds. Generally, PLAN relies on its investment adviser to recommend appropriate Funds and the mix of equities and bonds.

# General Investment Principles

### Review of policy

This policy should be reviewed on an annual basis.

### Spending policy for the Future Funds

PLAN’s spending policy for the Future Funds is set by the Board of Directors. It may include transfers to PLAN Operations accounts in order to make up for revenue shortfalls, or payments to accelerate the payoff of PLAN’s mortgage, or allocations for the start-up of new business lines, or the growth of existing ones, or other purposes as may be decided by the Board. Generally, appropriate payments to accelerate the payoff of the mortgage are decided by the Board in March of each year, with the amount depending on investment gains in the Future Funds in the previous year.