

## **Invest Policy Statement For Scholarship Trust Funds**

### **Statement of Investment Policy, Objectives and Guidelines**

#### **Purpose of this Investment Policy:**

The account shall be invested with care, skill, prudence and diligence under the circumstances prevailing from time to time that a prudent investor acting in the like capacity and familiar with such matters would use in the investment of a fund of like character and like aims. Investment of the endowment shall be diversified so as to minimize the risk of large losses, which is described in detail under "Investment Objectives."

#### **Assignment of Responsibility:**

The Endowment Board Committee (Superintendent and Board President) specific responsibilities relating to the investment management of the Endowment Fund assets include:

- 1) Projecting the fund's financial needs, and communicating such needs to the Investment Managers on a timely basis. "How much income will be taken from the endowment over the next 12 months?"
- 2) Determining any changes in the fund's risk tolerance and investment time horizon and communicating this to the appropriate parties.
- 3) Establishing reasonable and consistent investment objectives, policies and guidelines, which will direct the investment of the fund's assets.
- 4) Prudently and diligently selecting qualified investment professionals to achieve the state investment objectives.
- 5) Annually (minimum) evaluating the performance of the investment managers to assure adherence to the policy guidelines and monitor investment objective progress.
- 6) Developing and enacting proper control procedures: For example, replacing Investment Managers due to fundamental change in the investment management process, for failure to comply with established guidelines.

#### **Responsibility of the Investment Manager(s):**

To make recommendations consistent with objectives for the assets placed under its jurisdiction, while observing the operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities include:

- 1) Investment management including recommendations to buy, sell, or hold securities, and to alter asset allocations with the guidelines established in this statement.
- 2) Reporting, on a timely basis, monthly investment performance results. Also reporting that shows performance relative to the overall market returns.
- 3) Communicating any major changes to economic outlook, investment strategy, or any other factors, which affect implementation of investment process, or the investment objective progress of the endowment's investment management.

**General Investment Principals:**

- 1) Investments shall be made solely in the interest of the scholarship.
- 2) The account shall be invested with care, skill, prudence and diligence under the circumstances prevailing from time to time that a prudent investor acting in the like capacity and familiar with such matters would use in the investment of a fund of like character and like aims. Investment of the endowment shall be diversified so as to minimize the risk of large losses, which is described in detail under "Investment Objectives."

**Investment Objectives:**

- 1) Distributions \*(qualified scholarships)\* out of the endowment is 3 % , or at least \$300, whichever is greater. This income may be taken from the endowment on an annual basis, but ideally the distribution shall be from any interest earned. Overall return in a given year is **not** a determining factor in taking this income. The 3 % can be distributed regardless of the short-term investment results of the endowment. **The amount distributed can be adjusted by the Endowment Committee at any time.**
- 2) The endowment is to be invested with no ending time horizon. The long-term goal is to take small amounts of distributions over the years but successfully grow the entire endowment over time. (taking 3%, grow it long term at 5%)
- 3) Taxes of the endowment are not a consideration, since the endowment is a tax-exempt status.

**Specific Investment Goals and Performance Measurement**

The endowment performance should be measured on a Total Return basis. Total Return is defined as the aggregate increase of the fund resulting from the net appreciation (or depreciation) of principal of the fund, plus or minus net income experienced by the fund during the period.

Over full market cycles usually 1-3 years the goal of the endowment assets is to meet or exceed the market index. The allocation of the assets into different asset classes can change the appropriate indexes. Multiple benchmarks will often be used to evaluate the performance of the endowment including but not limited to: GOAL is to be less Aggressive than S&P 500 – looking for a conservative growth of 5% long term.

- 1) Standard and Poor's 500 index (S&P 500)
- 2) MSCI EAFE index (international)
- 3) Aggregate Bond index

**Asset Types (big picture):**

The endowment committee permits the investment manager to choose from among many common marketable assets that are available. This list would include:

**Equity Securities** (Stocks, International Stock, Small, Mid, Large Cap, Preferred Stock)

**Fixed Income** (CDs, Government Bonds, Corporate, and Bond funds)

**Cash:** (Money Markets, short term T-Bills)

**\*\*Many of the above assets classes will be obtain through separate money managers and mutual funds with the objectives to be in the appropriate asset classes\*\***

**Asset Allocation**

As mentioned above in Investment Objectives: The endowment is to be invested with no ending time horizon. **The long-term goal is to take small amounts of income over the years (3%) but successfully grow the entire endowment over time. Long-term conservative growth is the overall objective 5%**

Generate current income stream while maintaining the purchasing power of investments. The allocation guidelines are as follows: More detail on proposal sheet for specific investments at this present time.

**Cash Equivalents: 5-15%**  
(money markets)

**Fixed Income: 60-80%**  
(Mix between CDs, Fed Bonds, Bond Mutual funds can be 30-50% of fixed income allocation. (Int'l. bonds, high yield and blended bond funds) *Some short-term maturities (min 30% of fixed must always be short term) maturities can be longer term maturities, as well, but average duration should never be longer than 7 years.*

**Equities: 20-30%**  
(Mutual funds, ETFs, mix between Large, Mid, and Small capitalization stocks, along with a mix between value and growth) \* Since this endowment is never ending, and the cost of college will probably continue to increase over time, some **GROWTH** in the portfolio makes sense to keep up with the inflation.

**Also very important to only buy investments that are normally pretty liquid, so if changes in the allocation need to be made, it is possible.**

Cash and equivalents should be kept to a minimum, except when specific liquidity needs dictate. The Endowment Committee will inform the investment manager as soon as liquidity needs are known so that every effort can be made to minimize the impact on the endowment fund.

***No exposure to an individual company will comprise more than 5% (equity) and 10% (bond or debt obligation) of the endowment.*** In addition, no exposure to a single industry (as defined by Standard & Poor) will comprise of more than 25% of the endowment. Obligations of the U.S. Government and its agencies are exempted from this constraint.

Date \_\_\_\_\_

President \_\_\_\_\_

Secretary \_\_\_\_\_

Adopted by Board Action May 12, 2011