

## Sample Investment Policy

**PURPOSE:** The purpose of the following investment guidelines, which are to be reviewed annually by the Investment Committee and the Board of Directors, is to establish the investment objectives, policies, guidelines and approved securities relating to any investments owned or controlled by the organization and any of its subsidiary organizations.

**GUIDELINES FOR INVESTING:** The investment goal for the total investments is to achieve a total return of 5% over a full market cycle (3 to 5 years). The following guidelines apply to the three main investment asset classes:

- Money market funds
  - Allowable range: minimum of 5% and maximum of 45% of total investment assets.
  - A money market fund will be utilized for the liquidity needs of the portfolio whose objective is to seek as high a current income as is consistent with liquidity and stability of principal. Money market funds must be rated by at least one nationally recognized rating agency in the highest category for short-term debt securities.
  
- Equities
  - Allowable range: minimum of 20% and maximum of 60% of total investment assets
  - The equity component of the portfolio will consist of high-quality, large capitalization, domestic equity securities. The securities must be screened for their above average financial characteristics such as price-to-earnings, return-on-equity, debt-to-capital ratios, etc.
  - No more than 5% of the equity component will be invested in any one issuer.
  - No more than 20% of the equity component will be invested in one industry.
  - Prohibited equity investments include: initial public offerings, restricted securities, private placements, derivatives, options, futures and margined transactions.
  
- Fixed income
  - Allowable range: minimum of 35% and maximum of 75% of total investment assets.
  - Bond investments will consist solely of taxable, fixed income securities that have an investment-grade rating (Baa or higher) that possess a liquid secondary market.
  - No more than 5% of the fixed income portfolio will be invested in corporate bonds of the same issuer.
  - No more than 20% of the fixed income portfolio will be invested in bond issuers of the same industry.
  - Prohibited securities include: private placements, derivatives, margined transactions and foreign-denominated bonds.

## Sample Investment Policy

**PERFORMANCE MEASUREMENT STANDARDS:** The benchmarks to be used in evaluating performance of the two main asset classes will be:

Equities: S&P 500 Index- Goal: exceed the average annual return of the index over a full market cycle.

Fixed income: \_\_\_\_\_ government/corporate index- Goal: exceed the average annual return of the index over a full market cycle.

It is the responsibility of the Investment Committee to regularly review the performance of the investment account and investment policy guidelines and report to the Board of Directors at least quarterly with updates and recommendations as needed.

**SPENDING POLICY:** Each year, the nonprofit is authorized to withdraw up to 5% of the total market value of investments to be used in operations. The total market value of the investments is determined based on the average of the value over the last eight quarters. The dollar amount and timing of any distribution will be left up to the discretion of the Investment Committee Chairperson.