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## IPSSA

### EDUCATION FUND

#### Investment Policy

##### **Purpose**

This policy establishes investment objectives, policies, guidelines and eligible securities related to all assets held by IPSSA's., primarily for investment purposes. In doing so the policy:

- Clarifies the delegation of duties and responsibilities concerning the management of education funds.
- Identifies the criteria against which the investment performance of the organization's investments will be measured.
- Communicates the objectives to the Board, contract staff, investment managers and brokers.
- Confirms policies and procedures relative to the expenditure of education funds.
- Serves as a review document to guide the ongoing finance of the management of the organizations' investments.

##### **Delegation of Responsibilities**

The Board of Regional Directors has a direct finance role regarding all decisions that impact IPSSA's ED Funds. The Board has delegated supervisory responsibility for the management of the education funds to the Finance Committee. Specific responsibilities of the various bodies and individuals responsible for the management of education funds are set forth below:

##### **Responsibilities of the Board**

The Board shall ensure that its fiduciary responsibilities concerning the proper management of IPSSA's Education Funds are fulfilled through appropriate investment allocation, internal and external management, and portfolio performance consistent with all policies and procedures. Based on the advice and recommendations of the Finance Committee, the Board shall:

- Approve investment policies and objectives that reflect the long-term investment-risk nature of the education fund.

##### **Responsibilities of the Finance Committee:**

Members of the Finance Committee are not held accountable for less than desirable performance, rather for adherence to procedural prudence, or the process by which, decisions are made in respect to investment assets. In consideration of the foregoing, the Committee is responsible for the development, recommendation, implementation, and maintenance of all policies relative to IPSSA's ED Funds and shall:

- Develop and/or propose policy recommendations to the BORD about the management of organizational funds.

- Recommend long-term and short-term investment policies and objectives for education funds including the study and selection of asset classes, determining asset allocation ranges, and setting performance objectives.
- Determine that organizational funds are prudently and effectively managed with the assistance of CFO, assistant CFO, executive director and any necessary investment consultants and/or other outside professionals, if any.
- Monitor and evaluate the performance of all those responsible for the management of education funds.
- Recommend the retention and/or dismissal of investment consultants and/or other outside professionals.
- Receive and review reports from investment consultants and/or other outside professionals, if any.
- Meet with CFO, Assistant CFO, executive director, investment consultants and/or other outside professional's, twice a year.
- Convene regularly to evaluate whether this policy, investment activities, risk management controls and processes continue to be consistent with meeting the goals and objectives set for the management of the education funds.

### **Responsibilities of CFO, Assistant CFO and Executive Director**

CFO, Assistant CFO and executive director shall be responsible for the day-to-day administration and implementation of policies established by the BORD and/or the Finance Committee concerning the management of the education funds. Executive director shall also be the primary liaison between any investment consultants and/or other outside professionals that may be retained to assist in the management of such funds. Specifically, executive director shall:

- Oversee the day-to-day operational investment activities of all organizational funds subject to policies established by the BORD and/or Finance Committee.
- Contact with any necessary outside service providers, such as: investment consultants, investment managers, banks, and/or trust companies and/or any other necessary outside professionals.
- Ensure that the service providers adhere to the terms and conditions of their contracts; have not material conflicts of interests with the interests of IPSSA; and, performance monitoring systems are sufficient to provide the Finance Committee with timely, accurate and useful information.
- Regularly meet with any outside service providers to evaluate and assess compliance with investment guidelines, performance, outlook and investment strategies; monitor asset allocation and rebalance assets, as directed by the Finance Committee and in accordance with approved asset allocation policies, among asset classes and investment styles; and, tend to all other matters deemed to be consistent with due diligence with respect to prudent management of organizational funds.
- Comply with official accounting and auditing guidelines regarding due diligence and ongoing monitoring of investments, especially alternative investments. Prepare and issue periodic status reports to the BORD and the Finance Committee.

### **Investment Objectives**

To meet its needs, the investment strategy of the IPSSA Education Fund is the primary objective in the investment management for investment assets shall be: Preservation of Capital - To minimize the probability of loss of principal over the investment horizon. Emphasis is placed on

minimizing return volatility rather than maximizing total return. The secondary objective in the investment management of Education Fund assets shall be:

Income and Growth - To achieve a balanced return of current income and modest growth of principal.

### **Guidelines for Investing**

The investment goal of the total return fund is to align investment objectives based on allocation according to prudent investor processes, that better align with preservation of Capital. The following guidelines apply to the three main investment asset classes:

### **INVESTMENT HORIZON**

Investment Horizon shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon is 15 years.

## **INVESTMENT GUIDELINES**

### **Allowable Assets**

1. Cash Equivalents
  - Treasury Securities
  - Money Market Funds
  - Certificates of Deposit (insured)
  
2. Fixed Income Securities
  - U.S. Government and Agency Securities
  - Corporate Notes and Bonds
  - Mortgage Backed Bonds
  - Certificates of Deposit (insured)
  - Exchange Traded Funds (ETF's)
  
3. Equity Securities
  - Exchange Traded Funds (ETFs)
  - Convertible Notes and Bonds
  - Mutual Funds

### **Prohibited Assets**

Prohibited investments include, but are not limited to the following:

1. Commodities and Futures Contracts
2. Private Placements
3. Options
4. Limited Partnerships
5. Venture-Capital Investments
6. Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMOs
7. Levered Securities

## Prohibited Transactions

Prohibited transactions include, but are not limited to the following:

1. Short Selling
2. Margin Transactions

## Asset Allocation Guidelines

Investment management of the assets of IPSSA shall be in accordance with the following asset allocation guidelines:

1. Aggregate education fund asset allocation guidelines (at market value)

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Equities (inc Alternatives)	0%	70%
Fixed Income	0%	95%
Cash and Equivalents	01%	90%

2. In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Finance Committee will instruct the Investment Consultant to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible. If any individual Investment Manager's portfolio is in violation with its specific guidelines, for reasons including but not limited to market price fluctuations, the Finance Committee expects that the Investment Consultant will bring the portfolio into compliance with these guidelines as promptly and prudently as possible without instruction from the Finance Committee.

## Guidelines for Fixed Income Investments

1. Fixed income maturity restrictions are as follows:
  - a. Only corporate debt issues that meet or exceed a credit rating of A from Standard & Poors and A2 from Moody's and/or BBB rated bonds may be purchased. The value of the corporate debt portfolio may not exceed 60% of the total fixed income asset class account's market value. Corporate debt rated A1 or A2 by Moody's and A+ or A by Standard & Poors may not exceed 40% of the corporate debt portfolio.
  - b. Investments in corporate debt securities of a single issue must not exceed 5% of the total value of the fixed income assets measured on a quarterly basis.
  - c. The high yield and international fixed income categories may not individually exceed 5% of the portfolio and that the large majority of the fixed income allocation must be allocated to investment grade bonds.
  - d. The fixed income portfolio will not be invested in private placements, closed end or open-end fixed income funds.
2. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poors, and/or Moody's.

## Guidelines for Equity Investments

1. Gain exposure to growth and income producing equity assets to obtain long term

objectives, risk adjusted potential growth, and act as an inflation hedge.

### **Investment Consultant Performance Review and Evaluation**

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the CFO, Assistant CFO and executive director for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board of Regional Directors intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a consultant for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment consultants shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

### **Investment Policy Review**

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Finance Committee plans to review investment policy at least annually.

This statement of investment policy is adopted on August 10, 2020 by the Board of Regional Directors of Independent Pool and Spa Service Association.