THE ROOSEVELT HIGH SCHOOL FOUNDATION
INVESTMENT POLICY

I. Purposes

This Investment Policy establishes investment objectives, policies, and guidelines related to all assets ("institutional funds") held by The Roosevelt High School Foundation (hereinafter TRHSF), when said assets are held primarily for investment purposes. In doing so, the Policy:

1. clarifies the delegation of duties and responsibilities concerning the management of institutional funds;

2. identifies the criteria against which the investment performance of the TRHSF's investments will be measured;

3. communicates the objectives to the Board of Directors, staff, investment managers, brokers, donors, potential donors, and funding sources that may be involved;

4. confirms procedures relative to the expenditure of institutional funds; and

5. serves as a review document to guide the ongoing oversight of the management of the TRHSF's investments.

II. Delegation of Responsibilities

The TRHSF's Board has a direct oversight role regarding all decisions that impact the TRHSF's institutional funds. The Board of Directors delegated supervisory responsibility for the management of the TRHSF's institutional funds to the (Oversight Committee Name). Specific responsibilities of the various bodies and individuals responsible for the management of said institutional funds are set forth as follows.

1. **Responsibilities of the Board.** The Board shall ensure that its fiduciary responsibilities concerning the proper management of the TRHSF's institutional funds are fulfilled through appropriate investment structure, internal and external management, and portfolio performance consistent with all policies and procedures. Based on the advice and recommendations of the (Oversight Committee Name), the Board shall:

    a. select, appoint, and remove members of the (Oversight Committee Name); and

    b. approve investment policies and objectives that reflect the long-term investment-risk orientation of the endowment.

2. **Responsibilities of the (Oversight Committee Name).** Members of the (Oversight Committee Name) are not held accountable for less than desirable outcomes, rather for adherence to procedural prudence, or the process by which decisions are made in respect to endowment assets. In consideration of the foregoing, the Committee is responsible for the development, recommendation, implementation, and maintenance of all policies relative to the TRHSF's institutional funds and shall:

   a. Develop and/or propose policy recommendations to the Board with regard to the management of all institutional funds.

   b. Recommend long-term and short-term investment policies and objectives for institutional funds, including the study and selection of asset classes, determining asset allocation ranges, and setting performance objectives.

   c. Determine that institutional funds are prudently and effectively managed with the assistance of management and any necessary investment consultants and/or other outside professionals, if any.

   d. Monitor and evaluate the performance of all those responsible for the management of institutional funds, including full audits on a regular schedule.

   e. Recommend the retention and/or dismissal of investment consultants and/or other outside professionals.

   f. Receive and review reports from management, investment consultants, and/or other outside professionals, if any.

   g. Periodically meet with management, investment consultants, and/or other outside professional advisors.

   h. 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 institutional funds.

   i. Hire an independent, qualified auditor for a full audit on a regular basis.

3. **Responsibilities of Management.** Management shall be responsible for the day-to-day administration and implementation of policies established by the Board and/or the (Oversight Committee Name) concerning the management of institutional funds. Management 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, management shall:

   a. Oversee the daily operational investment activities of all institutional funds subject to policies established by the Board and/or the (Oversight Committee Name).

b. Contract with any necessary outside service providers, such as: investment consultants, investment managers, banks, and/or trust companies, and/or any other necessary outside professionals.

c. Ensure that the service providers adhere to the terms and conditions of their contracts; have no material conflicts of interests with the interests of the TRHSF; and performance monitoring systems are sufficient to provide the (Oversight Committee Name) with timely, accurate, and useful information.

d. 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 (Oversight Committee Name) 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 institutional funds.

e. 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 Board of Directors and the (Oversight Committee Name).

III. Investment Considerations

1. **General Considerations.** In accordance with the TRHSF's understanding of local, state, and federal laws, the (Oversight Committee Name) must consider the purposes of both the TRHSF and TRHSF's assets in managing and investing institutional funds. All individuals responsible for managing and investing institutional funds must do so in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. In making any decision relative to the expenditure of institutional funds, consider each of the following as listed below. Specifically, factors must be considered, and properly documented, in the minutes or other records of the applicable decision-making body:

a. general economic conditions;

b. possible effect of inflation or deflation;

c. expected tax consequences, if any, of investment decisions or strategies;

d. the role that each investment or course of action plays within the overall investment portfolio of the fund;

e. expected total return from the income and appreciation of investments;

f. other resources of the TRHSF;

g. the needs of the TRHSF and the funds to make distributions and preserve capital; and

h. an asset's special relationship or special value, if any, to the TRHSF's purposes.

2. **Diversification.** The TRHSF will maintain a reasonable diversification of investment assets between asset classes and investment categories at all times and respect the following provisions:

a. Investments in the equity securities of any one company shall not exceed five percent (5%) of the portfolio nor shall the total securities position (debt and equity) in any one company exceed ten percent (10%) of the portfolio.

b. Reasonable sector allocations and diversification shall be maintained. No more than twenty-five percent (25%) of the entire portfolio may be invested in the securities of any one sector.

c. Investments within the investment portfolio should be readily marketable.

d. The investment portfolio should not be a blind pool; each investment must be available for review.

IV. Guidelines for Investing

The investment goal of the total return fund is to achieve a total return (income and appreciation) of five percent (5%) after inflation, over a full market cycle of three to five years (3-5 years). The following guidelines apply to the three (3) main investment asset classes:

1. **Money Market Funds.** *Allowable range: Minimum 5%; Maximum 45% of total assets.*

A quality 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. The fund will invest in "money market" instruments with remaining maturates of one (1) year or less, that have been rated by at least one nationally recognized rating agency in the highest category for short-term debt securities. If non-rated, the securities must be of comparable quality.

2. **Equities.** *Allowable Range: Minimum 20%; Maximum 60% of total assets.*

The equity component of the portfolio will consist of high-quality equity securities traded on the New York, NASDAQ, or American Stock exchanges. The securities must be screened for above average financial characteristics such as price-to-earnings, return-on-equity, debt-to-capital ratios, etc.

No more than five percent (5%) of the equity portion of the account will be invested in any one issuer. As well, not more than twenty percent (20%) of the equity portion of the account will be invested in stocks contained within the same industry.

It is acceptable to invest in an equity mutual fund(s) adhering to the investment characteristics identified above, as long as it is a no-load fund, without any 12(b)(1) charges, which maintains an expense ratio consistent with those other funds of similar investment styles.

Prohibited equity investments include initial public offerings, restricted securities, private placements, derivatives, options, futures, and margined transactions. Exceptions to the prohibited investment policy may be made only when assets are invested in a mutual fund(s) that periodically utilizes prohibited strategies to mitigate risk and enhance return.

3. **Fixed Income.** *Allowable Range: Minimum 35%; Maximum 75% of total assets*

Bond investments will consist solely of taxable, fixed income securities that have an investment-grade rating (BBB or higher by Standard & Poor's and Baa or higher by Moody's) that possess a liquid secondary market. If the average credit quality rating disagrees among the two rating agencies, then use the lower of the two as a guideline.

No more than five percent (5%) of the fixed income portfolio will be invested in corporate bonds of the same issuer. As well, not more than twenty percent (20%) of the fixed income portfolio will be invested in bonds of issuers in the same industry.

The maximum average maturity of the fixed income portfolio will be ten (10) years, with not more than twenty-five percent (25%) of the bond portfolio maturing in more than ten (10) years.

Prohibited securities include: private placements, derivatives (other than floating-rate coupon bonds), margined transactions, and foreign denominated bonds. Exceptions to the prohibited investment policy may be made only when assets are invested in a mutual fund(s) that periodically utilizes prohibited strategies to mitigate risk and enhance return.

V. Performance Measurements Standards

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

1. **Equities.** *S&P 500 Index*- Goal: exceed the average annual return of the index over a full market cycle of three to five (3-5) years.

2. **Fixed Income.** *Lehman Brothers Government/Corporate Index*- Goal: exceed the average annual return of the index over a full market cycle of three to five (3-5) years.

It will be the responsibility of the (Oversight Committee Name) and the Board of Directors 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.

VI. Expenditure Considerations

The Board of Directors and the (Oversight Committee Name) are responsible for the establishment of a balanced reserve fund spending policy to: (a) ensure that over the medium-to-long term, sufficient investment return shall be retained to preserve and grow its economic value as a first priority; and (b) to provide funds for the annual operating budget in an amount which is not subject to large fluctuations from year-to-year to the extent possible.

1. **Expenditure of Institutional Funds.** All decisions relative to the expenditure of institutional funds must assess the uses, benefits, purposes, and duration for which the institutional fund was established, and, if relevant, consider the factors:

    a. the duration and preservation of the institutional fund;

    b. purposes of the TRHSF and the fund;

    c. general economic conditions;

    d. possible effect of inflation or deflation;

    e. expected total return from income and appreciation of investments;

    f. other TRHSF resources;

    g. all applicable investment policies; and,

    h. where appropriate, alternatives to spending from the institutional fund and the possible effects of those alternatives.

For each decision to appropriate institutional funds for expenditure, an appropriate contemporaneous record should be kept and maintained describing the nature and extent of the consideration that the appropriate body gave to each of the stipulated factors.

1. **Donor Restrictions.** In all instances, donor intent shall be respected when decisions are rendered concerning the investment or expenditure of donor restricted funds. If a donor, in the gift instrument, has directed that appreciation is not spent, the TRHSF shall comply with that directive and consider it when making decisions regarding the management and investment of the fund. Any attempt to lift restrictions on any fund shall be conducted in full compliance with the law.

2. **Reserve Fund Expenditures.** Each year the nonprofit is authorized to withdraw up to five percent (5%) of the total market value of the insurance premium reserve investment account (market value to be determined as of the last business day of the preceding year) for the TRHSF's operating purposes. That spending percentage is applied to the three-year (3 year) average of the December market value. Using a three-year (3 year) market value average will help to even out any fluctuations that may occur in the value of the account. The dollar amount and timing of any distribution(s) from the investment account will be left up to the discretion of the executive director and the Board of Directors.

VII. Changes to Investment Policy

These policies and guidelines have been reviewed and adopted by the TRHSF's Board of Directors. Amendments or changes to these policies may be proposed by internal stakeholders such as the (Oversight Committee Name) to the Board of Directors. The Board of Directors of the TRHSF must approve any changes to these policies. The policies will be regularly reviewed.

Policy approved by The Roosevelt High School Foundation Board of Directors on:

______________________________.
[date]

Signature: ____

Name: ____

Title/TRHSF: ____