

## Columbia Public Schools Foundation Investment Policy 2-22-08

The statement of investment policy reflects the investment policies, objective and constraints of the funds held by the Columbia Public Schools Foundation (Foundation).

### **Purpose**

The purpose of the Investment Policy is to define investment objectives, establish parameters for operations, limit grants and other expenditures and direct the Finance Committee in fulfilling its purpose.

### **Investment Parameters**

To this end, the Board directs the Finance Committee toward the following parameters for the funds management of the organization:

**Investment Objectives:** The primary investment objectives are to accomplish moderate fund growth through efficient investment of funds in investment vehicles that provide a moderate level of capital risk while generating the income needed to out pace inflation and provide adequate liquidity to fund annual distributions.

**Main Goal of Fund:** Moderate fund growth that builds asset value while generating income adequate to fund operations and annual grant distributions.

**Investment Time Horizon:** The funds time horizon is perpetuity due to anticipation that the Foundation funds are a long term continuing source of finance to fulfill the mission of the Foundation.

**Risk Tolerance:** The Foundation is willing to accept moderate volatility in investments to accomplish growth at a pace that will protect funds from inflation in addition to generating income to fund operations and annual grant distributions. The Foundation is willing to accept lower returns for a portion of the funds that will be used for immediate liquidity for annual operations and grant distributions.

**Portfolio Restrictions:** Investment Management Firms should remember that the Foundation is to benefit children and where possible, they should restrict the investments to exclude adult entertainment, firearms, gambling, alcohol and tobacco.

### **Responsibilities of the Board and Finance Committee**

The Board and Finance Committee shall discharge their duties solely in the interest of the Foundation, with the care, skill, prudence and diligence that a prudent man, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with the same objectives.

The Finance Committee shall be directly responsible for the oversight and management of the Foundation funds.

The Foundation Board delegates supervision of this Investment Policy to the Finance Committee. The Foundation Board authorizes the Finance Committee to engage investment professional experts and further authorizes delegation of certain responsibilities to these investment professionals within the parameters prescribed:

**Investment Management Consultant:** An Investment Management Consultant may assist the Finance Committee in the evaluation of and establishment of objectives, guidelines, investment time horizon, risk tolerance and total return objectives. Any change in objectives proposed must be approved by the Board in advance of adoption.

**Investment Management Firm:** The Finance Committee is authorized to enter into an agreement with an outside Investment Management Firm for the purpose of providing day-to-day investment management services for the Foundation. All contracts terms of the agreement are subject to prior Board approval. The Finance Committee is further directed to obtain no fewer than two proposals to review when proposing an Investment Management Firm. Should the Finance Committee determine that engaging an Investment Management Firm be in the best interest of the Foundation and its mission, the arrangement shall be reviewed no less often than every three years and compared to new outside proposals. The Investment Management Firm will provide statements on a monthly basis for recording purposes and shall meet regarding financial performance to the Finance Committee quarterly.

There will be a written Investment Policy Statement from the Investment Manager. This statement at minimum will include:

- Asset Allocation Model and Description
- Asset Allocation Model Percentages
- Income Requirement Constraints for:
  1. Liquidity
  2. Risk Tolerance
  3. Time Horizon
  4. Firm Responsibility
  5. Diversification
  6. Quality
    - A list of approved equities.
    - A list of approved fixed income accounts with no less than an A rating by Standard & Poor's or its equivalent.

**Custodian:** Assets of the Foundation, with the exception of operating funds and select fixed income accounts, shall be held by an outside custodian, who may also be the Investment Management Firm. The custodian will be responsible for dividend and interest payment collection, redemption of maturing investments and effect the receipt and delivery of purchases and sales of

financial assets. The custodian will be responsible for performing regular accounting of all assets owned, purchased, sold or moved through monthly portfolio activity and portfolio valuation reports.

**Conflicts of Interest:** Consistent with the Conflict of Interest Policy adopted by the Board, Board members who are affiliated with or employed by the acting Investment Management Firm or Custodian will not be eligible to serve on the Foundation Finance Committee and will be required to abstain from discussion and voting regarding this issue. All abstentions of this nature shall be documented in the minutes of Board Foundation meetings.

**Investment Guidelines:** The Fund's investments shall be diversified by asset class (i.e., equities, fixed income, alternative investments, etc.) and within asset classes (i.e., within equities by investment and economic sector, industry, size and financial characteristics). The purpose of asset allocation and rebalancing is to provide reasonable assurance that no single asset class will have a disproportionate impact on the Fund's aggregate results. The following investment guidelines are set forth for the management of all assets as acceptable.

1. U.S Treasury obligations.
2. U.S. Government Agency obligations.
3. Certificates of deposit, bankers' acceptances, time deposits, money market funds, bank notes, commercial paper and other obligations issued or guaranteed by any FDIC insured commercial bank.
4. A security that either carries Standard & Poor's or similar rating by Moodys or Fitch long-term rating of A or better, (bonds originally purchased with an A or better rating may be held to maturity at the discretion of the Investment Management Firm).
5. Bonds, mutual funds, common or preferred stock that are publicly traded and offered through AMEX, NASDAQ or other US Stock Exchanges regulated by the SEC.

**Investment Restrictions:** The following investment restrictions apply for the management of all assets.

1. No more than 5% of the managed portfolio should be invested in a single common or preferred equity stock.
2. No more than 20% of the managed portfolio may be invested in non-US equities.
3. A maximum of 10% of the **total** portfolio may be held in cash or cash equivalents for the inherit use of expenses for operating and annual grant funding for the following year.
4. All non-cash investments (as outlined above in Investment Guidelines #3) must be held outside the investment management portfolio.
5. Viatical settlements are real estate (excluding REITs) are **not** acceptable holdings.

**Grant Allocation Expense Formula:** Grant funding for the total portfolio shall be determined annually based on five percent (5%) of the prior eight (8) quarter moving average of the market value of the pooled investments. The purpose of this formula is to allow the Columbia Public Schools Foundation to have prudent and adequate annual support for its educational mission, as well as to preserve the principal and significant gains of the funds in an appropriate manner.