

## **Green Mountain United Way Investment Policy**

### **UNITED WAY MISSION**

Mobilizing communities to create lasting changes in local conditions that will improve lives.

### **INTRODUCTION**

The principal purpose of this Investment Policy Statement is to provide long term direction to the Board of Directors for (1) the investment of current and future donor restricted funds and (2) the investment of funds the Board of Green Mountain United Way has designated as unrestricted for investment purposes.

### **POLICY**

The establishment of an investment policy will enable Green Mountain United Way to maintain proactively prudent investment activities guided by the following goals:

- To have an agreed-upon method of monitoring portfolio performance
- To maintain the purchasing power of our invested assets (Adjusting for inflation).
- To manage risk within policy guidelines
- To maximize returns within policy guidelines
- To maintain appropriate & proper controls, governance & accountability

### **Definitions**

#### **Unrestricted Funds**

These are funds that have no donor restrictions placed on their use by any parties and are not required for working capital use. Although these funds are invested for the long term for the purpose of current income productions and total return, they can be expended upon approval of the Board of Green Mountain United Way.

#### **Board - Designated Funds**

These are unrestricted funds that are set aside by the Board of Green Mountain United Way as being designated for future purposes. They could include categories such as the Board designated Endowment funds, Leasehold Improvement, and Equipment and Training Fund. These funds are invested as are all other unrestricted funds and can be expended upon approval of the Board of Green Mountain United Way.

### **Temporarily Restricted Funds**

These are funds that have donor-imposed restrictions that will expire over a defined period of time or by performing specific activities. These are most often in the form of a program grant. When the restriction is satisfied, temporarily restricted funds are transferred into the unrestricted category.

### **Permanently Restricted Funds (Endowment)**

These are funds that have been restricted by a donor for a designated purpose or period of time and will never expire. These can be in the form of an endowment fund whose investment income can be spent, while the principal remains intact.

## **Diversification and Asset Allocation**

### **Asset Allocation**

The allocation mix for the total portfolio under investment is established as follows

#### Range

#### Unrestricted Funds

- |                       |        |
|-----------------------|--------|
| 1. Equities           | 35-65% |
| 2. Fixed Income       | 15-40% |
| 3. Cash & Equivalents | 0-5%   |

#### Restricted Funds

- |                       |        |
|-----------------------|--------|
| 4. Equities           | 15-25% |
| 5. Fixed Income       | 65-75% |
| 6. Cash & Equivalents | 0-5%   |
| (money market fund)   |        |

### **Equity Diversification**

No more than 5% of funds under supervision are to be committed to the equities of any one company, and no more than 20% are to be committed to the equities of companies operating in the same sector, as defined by Standard & Poor's.

### **Fixed Income Investments**

- The objective of the fixed income portion of the portfolio is to provide a secure, above - average stream of income (e.g., income in excess of US Treasury Bill rates) and to provide a relatively stable market value basis. The following guidelines should be adhered to:
- Fixed income investments may include non-convertible US Government and Agency obligations, marketable corporate bonds, municipal bonds, debentures, and preferred stock with sinking funds, as deemed prudent by the investment manager and approved by the Finance Committee.

- Fixed income investments shall be made only in those issues rated “A” or better by Moody’s and/or the Standard & Poor’s rating agencies.
- The Reynolds Endowment Fund shall always maintain a minimum value of \$100,000. (One Hundred Thousand Dollars). Amounts in excess of \$100,000 are unrestricted and may be recommended to the Board for transfer to the unrestricted investment account or withdrawal.
- No more than 10% of invested funds shall be invested in securities of any one issuer, except those of the US government, without the Finance Committee’s approval.
- Excluded classes of fixed income investments will include all other types not mentioned above.

### **Passive Investments**

It is recognized that indexed mutual funds judiciously utilize selected derivative instruments and other financing techniques in order to facilitate certain transactions. If, in the judgment of the Finance Committee, the description of the investment practices as outlined in a fund’s prospectus is reasonable, then the mutual fund will be qualified as an appropriate investment for the portfolio.

### **Cash Equivalents**

Cash equivalent securities are viewed not only as appropriate investments to maintain the liquidity needs of Green Mountain United Way when required, but as alternatives to both equity and fixed income investments. Selection of specific cash equivalent investments should be determined primarily by safety and liquidity of the investments and only secondarily to the yield available.

### **Performance Expectations**

- The Finance Committee’s goal for the investment portfolio is to achieve a “satisfactory risk adjusted” total rate of return on assets under management.
- The Finance Committee has set a goal of achieving investment returns (net of fees) at least equal to the performance of a blended benchmark index comprised of the S&P 500 Index and the Barclay’s Capital Aggregate Bond index, or comparable of each. The blended index will be weighted according to the current composition of the investment portfolio. For example, if the investment portfolio is 60% fixed income and 40% equities, the blended index will equal 60% of the Barclay’s index plus 40% of the S&P 500 index. Performance will be measured quarterly.

### **Marketability & Liquidity**

The Finance Committee is expected to assure adequate marketability of investment under supervision except where specifically authorized by the Green Mountain United Way Board of Directors. While investments in mutual funds, common stocks, securities convertible into common stock, and cash equivalents are approved, the Finance Committee should refrain from the following investments:

- Purchase of securities of the manager’s firm or affiliated firms

- Purchase of restricted or lettered stock
- Shares in limited partnerships

### **Contractual Agreements**

- It is imperative that all donor agreements are fulfilled
- It is recommended that investments with donor restrictions, unless already stated by the donor as trust, be physically segregated from unrestricted pooled investments

### **Socially Responsible**

In meeting the investment objectives of the Green Mountain United Way, the Finance Committee and the Board of Directors shall be cognizant of the emphasis of this organization on its desire to be socially responsible.

It is recognized that the nature of mutual funds and some other investments may not always meet a standard of socially responsible investing acceptable to all constituents.

### **Governance**

- The Finance Committee will be responsible for selecting the Investment Manager and will make a recommendation for approval of the Board.
- The Finance committee will make at least quarterly reports to the Board usually at the board meeting immediately following the investment manager's reporting to the Finance Committee.
- The Finance Committee will meet on a regular basis to monitor the performance of the Investment portfolio. Investment decisions by the Finance Committee shall be recommended to the Board for approval; however, the Finance Committee may make decisions with prudence and without board approval up to \$25,000 in a one month period.

### **Instructions for Investment Manager**

#### **Notification of significant changes**

The Finance committee requires prompt notification of any deviations from the Investment Strategy outlined herein.

#### **Account Activity**

All transactions must be approved by the Finance Committee prior to execution.

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A report summarizing account activity will be provided to the Finance Committee at least quarterly. The investment manager will explain orally or in writing the reason for such activity.

**Presentation**

The Finance committee will require formal presentations from the manager including a review of investment performance of individual funds, the performance of the portfolio as a whole compared to the blended index defined within this policy, the credit ratings of any bond holdings, the portfolios compliance with asset allocations and diversification requirements contained within this policy and recommendations for any restructuring of the investment portfolio.