Investment Policy Guidelines

Treasurer Association Meeting
2017

Why Should You Have a Policy?

In a rising interest rate environment, and with the current equity markets, investing class funds is becoming a potentially meaningful way of increasing Class resources. But first:

A Cautionary Tale, or It Happened To Us And It Can Happen To You.

Source: Bloomberg

Why Should You Have a Policy?

Risking 501(c)(3) status – Most classes will be okay.

- The IRS expects that charitable organizations will take a “prudent man” approach to investing. By that they mean that there won’t be any investments whereby:
  - an officer of the organization can benefit as a result of the investment;
  - the investment is high risk investment; or
  - the investment is low or no return, i.e., no sweetheart deals
- Some investments, while not prohibited, could receive a higher level of scrutiny if the class was audited by the IRS:
  - Securities purchased on margin;
  - Commodity futures;
  - Working interest in oil & gas wells;
  - Puts, calls & straddles;
  - Stock warrants; or
  - Short sales.
- And remember to keep your cash in a FDIC insured account

Investment Policy Best Practices

- The Executive Committee has to decide:
  - the investment purpose & risk tolerance (protect principal or increase resources);
  - composition of Investment Committee as well as roles and responsibilities of members;
  - Conflict of Interest Policy;
  - periodicity of reporting to Executive Committee;
  - transition planning; and
  - liquidity guidelines.
- The Investment Committee has to:
  - define an appropriate investment strategy to meet the requirements established by Executive Committee;
  - define metrics for success;
  - understand cost structure of investments; and
  - undertake periodic asset allocation study (every 2 or 3 years).