

Policy 1003—Investment Policy: Definition of Accounts

1003.1 Purpose, Authority and Scope of Investment Policy	<p><u>Purpose:</u></p> <p>It is the intent of AAUW California to invest its monies in a manner that will provide an acceptable investment return for both growth and income while minimizing risk. The purpose of the policy is to provide a clear understanding of the guidelines and objectives related to the total AAUW California investment portfolio for the AAUW California Board of Directors, the Investment Subcommittee, Finance Committee, investment manager, and others. Related activities provided by this Investment Policy include good cash management, control of disbursements, and cost-effective banking relations.</p> <p><u>Authority:</u></p> <p>Delegation of authority is defined in Policy 604, Chief Financial Officer, and Policy 906, Finance Committee.</p> <p><u>Scope:</u></p> <p>These Investment Policies apply to all investment assets of AAUW California. All investments shall be pooled into one investment account with three sub-accounts:</p> <ul style="list-style-type: none">● General Reserve Fund● Operations Reserve Fund● State Project Reserve Fund <p>Balances by type of investment for each sub-account must be maintained in the AAUW California General Ledger.</p>
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<p>1003.2 General Reserve Fund</p>	<p>Purpose: The purpose of the General Reserve Fund is to provide a backup cash fund in case membership dues received are much lower than expected.</p> <p>Requirements: This account maintains a \$15,000 balance. It shall be invested in a money market fund. Any balance over \$15,000 should be transferred to the Operations Reserve Fund at the end of the fiscal year.</p>								
<p>1003.3 Operations Reserve Fund</p>	<p>Purpose: The purpose of the Operations Reserve Fund is to provide a source of funds to allow AAUW California to continue to operate in the event of unforeseen or exceptional cash shortages and cover the day-to-day operating expenses of the organization. This account acts as a reserve for contingencies.</p> <table border="1" data-bbox="646 926 1468 1465"> <tr> <th data-bbox="646 926 1068 968">If...</th><th data-bbox="1068 926 1468 968">Then...</th></tr> <tr> <td data-bbox="646 968 1068 1083">an emergency occurs,</td><td data-bbox="1068 968 1468 1083">the board must approve the amount needed to regain status quo.</td></tr> <tr> <td data-bbox="646 1083 1068 1234">approved,</td><td data-bbox="1068 1083 1468 1234">that approved amount will be transferred to the checking account for disbursement.</td></tr> <tr> <td data-bbox="646 1234 1068 1465">the balance drops below \$75,000,</td><td data-bbox="1068 1234 1468 1465">the board should act to replenish the fund by transferring funds from other accounts or proposing raising membership dues.</td></tr> </table> <p>The Operations Checking account shall have any losses from state events such as the Annual Event, whether a convention or annual meeting, reimbursed from this account.</p> <p>If at the close of the fiscal year the Operations Checking Account Balance is in excess of \$75,000 (excluding “deferred dues”), the excess above \$75,000 should be transferred to this fund for investment.</p> <p>Requirements: The Operations Reserve Fund balance shall have a minimum balance of \$75,000. The principle of this fund should be invested as described in the Investment Guidelines.</p>	If...	Then...	an emergency occurs,	the board must approve the amount needed to regain status quo.	approved,	that approved amount will be transferred to the checking account for disbursement.	the balance drops below \$75,000,	the board should act to replenish the fund by transferring funds from other accounts or proposing raising membership dues.
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1003.4 State Project Reserve Fund	<p>Purpose: The purpose of the State Project Reserve Fund is to provide a source of funds to allow AAUW California to fund projects as approved by the AAUW California Board of Directors.</p> <p>Requirements: The State Project Reserve Fund balance shall have a minimum balance of \$20,000. The principle of the fund shall be invested as described in the Investment Guidelines.</p>
1003.5 Prudence	<p>Investments shall be made with reasonable judgment and care that persons of reasonable prudence, discretion, and intelligence exercise in the management of their personal affairs. Persons making investments do so, not for speculation, considering the probable safety of their capital as well as the probable income to be derived.</p> <p>The Investment Subcommittee members and investment managers and/or advisors, who act in accordance with these investment policies and who exercise due diligence, shall be relieved of personal responsibility for an individual account's security credit risk or market price changes.</p> <p>Relief of personal responsibility depends on whether the Investment Subcommittee members and investment manager and/or advisors reported the deviations from expectations in a timely fashion to the Executive Committee and took appropriate action to control adverse developments excepting therefrom gross negligence or willful misconduct of such persons.</p>
1003.6 Investment Guidelines	<ul style="list-style-type: none"> • The objective for the managed accounts of AAUW California is to have a moderate risk allocation providing for both growth and income for the portfolio. <p>Achieving this objective will require a moderate level of risk, a long-term investment horizon and diversification among assets. The funds will be invested to maximize total return (capital appreciation, interest and dividend income) consistent with a prudent level of risk</p>
1003.7 Asset Allocation	<p>AAUW California has three investment assets: a Cash Reserve Fund (called the General Reserve Fund), an Operations Reserve Fund, and a State Project Reserve Fund. The Cash Reserve Fund is to be invested only in assets meeting the definition of Cash and Cash Equivalents. The Operations Reserve Fund and the State Project Reserve Fund are considered "managed accounts" and may be managed separately or as a single investment pool. The board of directors has established the following asset allocation guidelines for the managed accounts. Any deviation of 15% or more of the total portfolio beyond the target goal in any category requires</p>

approval from the Investment Subcommittee. Rebalancing of the investments should be performed at least annually.

Cash and Cash Equivalents shall include money market funds, Treasury bills, and insured certificates of deposit maturing within one year.

Fixed income securities shall include mutual funds and exchange traded funds that invest in US government and agency securities, corporate notes and bonds, mortgage backed securities, treasury inflation protected securities. At least 60% of the bonds within a fund should be rated investment grade.

Equities securities shall include mutual funds and exchange traded funds that invest in stocks, are publicly traded on US Exchanges, have a minimum 3 year track record, and focus primarily on domestic stocks.

Asset allocation recommended as of 11/24/2020 for the managed accounts is as follows:

Investment Type	Range	Target Goal
Cash and Cash Equivalents	2% - 5%	2%
Fixed Income	25% - 75%	44%
Equities	20% - 65%	54%

Prohibited Transactions: AAUW California prohibits the following types of investment activities:

- Margin purchases
- Individual stocks and bonds
- Private Placements or other restricted securities
- Foreign issues, unless traded on US Exchanges or Markets

<div>1003.8</div> <div>Return Objectives and Benchmarks</div>	<div><div>The objective for this investment portfolio is to have a moderate risk allocation providing for both growth and income for the managed accounts. The long-term objective for the assets under this policy is to achieve a return after fees and expenses, in excess of the policy index based on the portfolio’s asset allocation.</div><div>This means meeting or exceeding a weighted index of the total asset allocation and component benchmarks over a rolling three-year period. The policy index would be constructed annually based on the target allocation for each asset class.</div></div> <table><tr><td>Asset</td><td>Benchmark</td><td>Percentage/Target</td></tr><tr><td>Cash and Cash Equivalents</td><td>ML 3 month Treasury Bill</td><td>2%</td></tr><tr><td>Fixed Income</td><td>Barclay’s US Aggregate</td><td>44%</td></tr><tr><td>Equities</td><td>S&P 500 or Russell 3000 for domestic stocks, MSCI EAFE for international stocks</td><td>54%</td></tr></table>	Asset	Benchmark	Percentage/Target	Cash and Cash Equivalents	ML 3 month Treasury Bill	2%	Fixed Income	Barclay’s US Aggregate	44%	Equities	S&P 500 or Russell 3000 for domestic stocks, MSCI EAFE for international stocks	54%
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<div>1003.9</div> <div>Internal Control, Oversight</div>	<div>The board of directors shall review the investments, procedures and adherence to the investment policy and decide what actions will be required. The Investment Subcommittee shall provide to the board of directors information it receives from the investment manager(s) and/or advisor (s) and/or third-party custodians to provide a clear picture of the status of the portfolio.</div>												

<p>1003.10</p> <p>Internal Control, Communications and Reporting</p>	<p>AAUW California requires the following type and frequency of communication and reporting from its investment manager(s) and/or advisors:</p> <p><u>Monthly:</u></p> <p>Monthly statements showing current cash balances, all activity for the previous period, expected yields on the current portfolio, total account equity and prices and values for all securities held at month-end.</p> <p><u>Semi-Annual:</u></p> <p>Investment manager/advisor will provide at minimum semi-annual portfolio presentations to the Investment Subcommittee which will include reports of the portfolio status, time-weighted returns in accordance with association for investment management and research performance measurement standards, performance comparisons to appropriate benchmarks, economic outlook, investment strategies and other related matters that would be of interest to the Investment Subcommittee.</p> <p><u>On-Going:</u></p> <p>On-going communication by phone, letter or personal consultation will be required as deemed necessary by the investment manager(s) and/or advisors(s) and/or the Investment Subcommittee.</p> <p><u>Changes and Deviations:</u></p> <p>The Investment Subcommittee places trust in and emphasis on the investment strategy employed by the investment manager(s) and/or advisor(s). Any material changes to or deviations from an investment manager(s) and/or advisor(s) approach must be communicated and justified to the board of directors of AAUW California. The board requires the investment manager(s) and/or advisor(s) to communicate any significant changes in management or investment personnel immediately.</p>
<p>1003.11</p> <p>Investment Policies Review and Adoption</p>	<p>It shall be the duty of the Investment Subcommittee to review the policies at least biannually to assure that they remain valid and relevant and recommend any changes in writing to the board of directors.</p>