

**Special Olympics Iowa
Summary of Draft Investment Policy Statement
For Board Approval
November 15, 2018**

PROCESS

- We obtained best practice samples from Jackie, and 2 SO state offices.
- The Finance Committee worked through the samples, and developed a draft that we were comfortable with as a committee.
- Lou and I worked with 2 investment experts to get their advice on our policy. Lou and I have taken their advice and made changes to the policy. The changes are not philosophy changing, but we do want to allow the Finance Committee to be able to weigh in to make final changes.

SCOPE OF THE POLICY

- The Finance Committee has agreed to philosophy of maintaining 6 months of cash expenses in reserves. That approximates \$1.3 million at this time.
- Attached you will find summary of the cash equivalents.
- The Finance Committee is addressing the Centralized Accounting funds in a separate policy that will be addressed after the Investment Policy is completed.
- The attached Cash Equivalent Summary breaks the Operating accounts into liquid, short-term and mid- to long-term funds. The mid- to long-term funds are our Investment Portfolio.

THE INVESTMENT POLICY

- Scope of the Policy
 - Covers the Investment Portfolio, which is now held at Bankers Trust Capital Management.
- Investment Philosophy
 - Maximize the return on invested assets while minimizing the risk and expenses.
- Define Responsibilities
 - Finance Committee has overall responsibility, but can delegate to experts.
 - Makes final decisions about retaining the services of the Investment Advisor and Custodial.
 - Reviews the results quarterly and shares that with the Board.
 - As a part of the annual budget process, determines the amount that should be transferred into or out of the Portfolio.
 - The Finance Committee includes non-voting members, including John and non-board members.
 - Investment Advisor – recommends and executes investment transactions as directed by the Finance Committee within the guidelines set forth in the policy.
 - Provides advice and executes transactions.
 - Report results quarterly, compared to market benchmarks.
 - Communicates major changes in economic outlook that would affect our philosophy.
 - Provide in-person review of the Portfolio with the Finance Committee annually .
 - Custodian – maintain physical possession of the securities and related responsibilities – can be the same party as the Investment Advisor.

- Investment Objectives – fulfill the Primary Philosophy and approve an investment allocation target at least annually.
 - Risk – risk should be managed by diversification.
 - Maintain a risk level of volatility which matches the benchmarks of the Portfolio.
- Investment Guidelines
 - Diversification of assets among investment categories
 - Defines allowable assets within the following categories – cash equivalents, fixed income securities, equity securities and other assets (Guaranteed Investment Contracts)
 - Defines prohibited assets – commodities and futures, private placements, options, limited partnerships, venture-capital investments, individual real estate properties, Tranches of CMOs
 - Defines prohibited transactions – short selling, and margin transactions
 - Sets forth diversification guidelines – not to exceed 5% in one company, and no more than 20% in one industry
 - Guidelines for quality of investments, defining the grades and credit ratings we are willing to accept.
- Investment Performance
 - Quarterly reviews of the portfolio will be provided to the Finance Committee, which will be shared with the Board
 - Annually an in-person review will be provided to the Finance Committee

WHAT HAPPENS NEXT

- The Finance Committee will finalize the Policy and ask for final Board approval via electronic vote.
- Finance Committee will choose an investment Advisor.
- Implement the Policy.

Special Olympics Iowa Investment Policy Statement Draft 3

SCOPE OF THIS INVESTMENT POLICY

This statement of investment policy reflects the investment policy, objectives, and constraints for the Portfolio held on behalf of the Special Olympics Iowa (SOIA).

INVESTMENT PHILOSOPHY

The primary objective of the Portfolio is to maximize the return on invested assets while minimizing risk and expenses. This is further defined later in the Policy Statement.

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of investment policy is set forth by the Finance Committee of SOIA and is created to accomplish the following:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of Portfolio assets.
3. Offer guidance and limitations regarding the investment of Portfolio assets.
4. Establish a basis for evaluating investment results.
5. Establish a framework for managing Portfolio assets according to prudent standards.

In general, the purpose of this statement is to outline a philosophy which will guide the investment management of the Portfolio assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

DELEGATION OF AUTHORITY

The Finance Committee of SOIA is responsible for directing and monitoring the investment management of Portfolio assets managed on SOIA's behalf. Additionally, the Finance Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Advisor(s). The investment advisor possesses the authority to recommend the purchase, sale or holding of specific securities that will be used to meet the Portfolio's investment objectives. They will also be expected to review investment options over time; measuring and evaluating investment performance; and may be asked to assist with other investment tasks as deemed appropriate.
2. Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Portfolio, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets

- owned, purchased, or sold, as well as movement of assets into and out of the Portfolio accounts. The custodian may be the same party as the Investment Advisor.
3. Additional specialists such as attorneys, auditors, and others employed to assist in meeting its responsibilities and obligations to administer Portfolio assets prudently.

Those experts to whom authority is delegated as outlined above will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper any of the experts described above, each should request modifications which they deem appropriate.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Portfolio as deemed appropriate and necessary.

DEFINITIONS

1. "Portfolio" shall mean the collection of securities that are held on behalf of SOIA, outside of the moneys needed for day-to-day operations of SOIA.
2. The Finance Committee shall have no less than five (5) and no more than nine (9) of which the majority must be Board members. A quorum shall be defined as 51% of the Board committee members and a majority vote of the attending Board members will constitute a deciding vote. The President/CEO of SOIA, Finance personnel and non-board committee members are asked to attend and contribute at meetings, but will be non-voting members of the committee.
3. "Investment Advisor" shall mean any individual or group of individuals employed to recommend the purchase or sale of Portfolio funds held on behalf of the SOIA and provide advice related to the Portfolio.
4. "Securities" shall refer to the marketable investment securities which are defined as acceptable in this statement.
5. "Investment objective" shall be the approach utilized for investing Portfolio funds on behalf of the SOIA, as set forth in this statement. The investment objective for the Portfolio shall be re-evaluated at least annually.

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Finance Committee

The Finance Committee is to make final decisions about retaining the services of the Investment Advisor and the Custodian. They are also responsible for reviewing Portfolio performance at least quarterly as set forth in this policy. The quarterly results will also be reported to the Board of Directors each quarter. The Board will endeavor to operate the Organization's investment program in compliance with all applicable state, federal and local laws and regulations concerning management of investment assets, including UPMIFA (Uniform Prudent Management of Investment Funds Act).

Additionally, as a part of the annual budget process, the Finance Committee shall make a determination of the amount that should be transferred from operating funds into or out of the Portfolio. This will be based on the liquidity needs of SOIA for the upcoming year, based on the budget. Liquidity and transfer needs can be reviewed more frequently than annually at the request of the CEO or any member of the Finance Committee.

Responsibility of the Investment Advisor

The Investment Advisor is to advise the Finance Committee on risk analysis, updates needed on this Investment Policy, investment objectives and/or asset allocations, performance of the Portfolio, and general market information and concerns. The Investment Advisor will recommend and execute transactions as directed by the Finance Committee for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Advisor shall include, but not be limited to the following:

1. Investment recommendations including advice on and execution of decisions to buy, sell, or hold individual securities and to alter asset allocations within the guidelines established in this policy statement.
2. Reporting on a timely basis, quarterly investment performance results.
3. Communicating any major changes to the economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the Portfolio's investment management.
4. Informing the Finance Committee regarding any qualitative change to investment management organization; Examples include changes in Portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies, if requested by the Finance Committee and the Investment Advisor is willing to take such responsibility. Otherwise the Finance Committee will vote proxies.
6. Performing in-person reviews with the Finance Committee of the Portfolio held on behalf of the SOIA annually.

GENERAL INVESTMENT PRINCIPLES

Investment Objectives

The primary objective of the Portfolio is to maximize the return on invested assets while minimizing risk and expenses subject to the stated investment guidelines stipulated below.

1. Investments shall be made solely in the interest of SOIA.
2. The Portfolio shall be invested with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in the capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. Investment of the Portfolio funds shall be diversified so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. SOIA may utilize investment options of varying styles and philosophies that attain the Portfolio primary objective.
5. Cash is to be employed productively at all times, with investment in short term cash equivalents to provide safety, liquidity, and return.

DEFINITION OF RISK

This policy statement recognizes there are many ways to define risk. Risk in the Portfolio should be managed by portfolio diversification. The expectation is that the Portfolio will maintain a risk level of volatility which matches the relevant benchmarks of the Portfolio, based on stated investment objectives. The measurement of results as it relates to such benchmarks shall be reviewed with the Finance Committee on a quarterly basis.

INVESTMENT GUIDELINES

The following asset classes may be utilized for Portfolio funds invested on behalf of the SOIA. The Portfolio will maintain a reasonable diversification of investment assets between asset classes and investment categories at all times. Investments within the Portfolio should be readily marketable and within the target investment allocation which will be approved at least annually by the Finance Committee. Investments in the form of mutual funds, ETFs, or direct investments in securities are permitted.

Allowable Assets

1. Cash Equivalents
 - Treasury Bills
 - Money Market Funds
 - Commercial Paper
 - Banker's Acceptances
 - Repurchase Agreements
 - Certificates of Deposit

2. Fixed Income Securities
 - U.S. Government and Agency securities
 - Corporate Notes and Bonds
 - Mortgage Backed Bonds
 - Preferred Stock

3. Equity Securities
 - Common Stocks
 - Convertible Notes and Bonds
 - Convertible Preferred Stocks
 - American Depository Receipts (ADRs) of Non-U.S. Companies

4. Other Assets
 - Guaranteed Investment Contracts (GIC)

Prohibited Assets

Prohibited investments include, but are not limited to the following:

1. Commodities and Future Contracts
2. Private Placements
3. Options
4. Limited Partnerships
5. Venture-Capital Investments
6. Individual Real Estate Properties
7. Interest-Only (IO) and Principal-Only (PO) Tranches of CMO's

Prohibited Transactions

Prohibited transactions include, but are not limited to the following:

1. Short Selling
2. Margin Transactions for the purposes of speculative securities purchases

Asset Allocation Guidelines

The Investment Advisor may utilize Securities whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate, such disciplines must fit within the overall asset allocation guidelines established in this statement. The Investment Advisor will receive written direction from the Finance Committee regarding specific objectives and guidelines.

Diversification Guidelines

The Finance Committee does not believe it is critical that securities held in the Portfolio represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company should not exceed 5% of the total fund at market value, and no more than 20% of the total fund should be invested in any one industry.

Guidelines for Individual Fixed Income Securities and Cash Equivalents

1. Fund assets should be allocated to the "Fixed Income" bucket may be invested only in investment grade bonds at the time of their purchase.
2. Fund assets may be invested only in commercial paper rated A1 (or equivalent) or better.
3. Fixed income maturity restrictions are as follows:
 - Weighted average portfolio duration may not exceed 10 years.
 - The portion of the Funds invested in bonds shall have an average expected portfolio effective duration within a 25% range of the comparable index listed in the appendix for each fund.
4. Money Market Funds selected shall contain securities whose credit rating is at least A1/P1 by Standard and Poors, and/or Moody's.

INVESTMENT PERFORMANCE

The Investment Advisor will provide quarterly statements of the portfolio holdings and transactions; as well as quarterly, and annual portfolio returns and performance results relative to the related benchmarks. The Finance Committee shall review the results quarterly. At least annually, upon request, the Investment Advisor will meet with the Finance Committee to review the portfolio returns relative to investment objectives and SOIA’s financial needs. Historical performance, since inception, will be disclosed in the performance reviews. The Finance Committee will also review the portfolio, objectives and results with the SOIA Board of Directors quarterly.

CONFLICTS OF INTEREST

Any person or organization involved in the oversight or management of the Portfolio must adhere to SOIA’s guidelines regarding conflicts of interest.

EXCEPTIONS

The Finance Committee or SOIA may authorize specific exceptions to any provision in this policy in writing if market conditions, liquidity needs, or other circumstances warrant. Any such exceptions will be reported the SOIA Board of Directors at the immediate subsequent meeting.

INTERPRETATIONS AND AMENDMENT

This document is a general statement to be interpreted and implements by the Finance Committee. The SOIA Board of Directors must approve any changes to these policies.

This policy was approved by the SOIA Board of Directors on _____, and replaced the previous policy.

Authorized Signer of
Special Olympics Iowa

Authorized Signer of the
“Investment Advisor”

Signature

Signature

President/CEO

Title

Date

Date

Special Olympics Iowa
Funds-in-hand which will be affected by the Investment Policy

Operating Accounts

Liquid funds

Operating Accounts - Bank Checking \$ 300,000

Short-term funds

Money Market & Savings accounts \$ 700,000

(Held with banks who are sponsors of SOIA - interest rates range from 0.10% to 2.48%)

Mid- to long-term funds

Investment Portfolio \$ 400,000

(Current mix is 5% money market, 41% bonds, and 54% equity securities)

Total Operating Accounts \$ 1,400,000

Centralized Accounts *

Money Market accounts \$ 700,000

CDs \$ 100,000

Total Centralized Accounts \$ 800,000

Restricted Funds

Trusts and Endowments \$ 200,000

* Centralized Accounts house money that has been raised by various areas or teams throughout Iowa. These funds are intended for the use of each individual group that raised the money. They are used for things like uniforms, bowling costs, spring games, etc.