



## League of Women Voters of Minnesota Records

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League of Women Voters of Minnesota  
League of Women Voters of Minnesota Education Fund

## INVESTMENT FUNDS POLICIES

Approved by Boards of  
LWVMNEF & LWVMN

1/13/95

Revised by Investment  
Committee 10/01/97 to  
eliminate phrase  
"Qualified Investment" on p 2

### Mission Statements:

The League of Women Voters of Minnesota Education Fund works to encourage the active and informed participation of citizens in government and to increase understanding of major public policy issues.

The League of Women Voters of Minnesota, a nonpartisan political organization, encourages the informed and active participation of citizens in government and influences public policy through education and advocacy.

### LWVMN 501(c)(4) RESERVES

#### 1. Operating Funds

Short term savings and funds put aside at a higher rate of return than obtained through checking acct to pay anticipated expenses.

Goal: Establish a fund equal to 3 months operating funds (about \$45,000) ~~\$45,000~~ 75,000

#### Investment Objectives:

- liquidity
- maintain principal
- produce higher rate of return than checking

#### Guidelines:

- Executive Director has authority to draw on accounts to meet operating expenses and shall report all transactions to an officer of the Board
- Interest is to be reinvested until goal is reached within the limits of Guideline a. (above)
- extraordinary and capital improvements can be allocated to either Operating Funds or Board Directed Reserves or both.

### LWVMNEF (501(c)(3) RESERVES

#### 1. Restricted Project Funds

Funds that are given for a specific program or project. Funds given in a lump sum may be placed in short term savings and funds.

Goal: Fully fund projects.

#### Investment Objectives:

- maintain the initial cash value of all deposits
- liquidity
- produce higher rate of return than checking

#### Guidelines:

- Executive Director has authority to draw on accounts to meet project expenses and show report to the Board.
- interest is reinvested in the short term whenever possible.

## LWVMN 501(c)(4) RESERVES

### 2. Board Directed Reserves

#### (Quasi-Endowment)

Undesignated memorials, tributes, bequests, gifts or remaining assets of deferred gifts.

This pool of funds may be used at the discretion of the Board.

#### Goal:

Establish a fund that will provide support for LWVMN mission and program.

#### Investment Objectives:

- a. partial liquidity
- b. seek a reasonable balance between growth and maintenance of principal

#### Guidelines:

- a. interest and dividends that accrue until Board designates expenditure.
- b. principle remains in fund unless Board designates expenditure.

### 3. Endowment Fund

Funds where the principal is donor restricted. Only interest and dividends may be spent.

#### Goal:

Establish a perpetual fund to ensure future financial stability of LWVMN.

## LWVMNEF 501(c)(3) RESERVES

### 2. Board Directed Reserves

#### (Quasi-Endowment)

Undesignated memorials, tributes, bequests, gifts or remaining assets of deferred gifts.

This pool of funds may be used at the discretion of the Board.

#### Goal:

Establish a fund that will provide support for LWVMNEF mission and program.

#### Investment Objectives:

- a. partial liquidity
- b. seek a reasonable balance between growth and maintenance of principal

#### Guidelines:

- a. same as MN
- b. Same as MN

### 3. Endowment Fund

Funds where the principal is donor restricted. Only interest and dividends may be spent.

#### Goal:

Establish a perpetual fund to ensure future financial stability of LWVMNEF.

LWVMN 501(c)(4) RESERVES

Endowment Continued

UNTIL \$100,000

Investment Objectives:

- a. preserve principal
- b. reinvest all interest and dividends
- c. seek a reasonable balance between growth and preservation of principal

Guidelines:

- a. the principal shall be preserved intact
- b. in case of emergency, the Board has the authority to draw on the interest

AFTER \$100,000

Investment Objectives

- a. preserve the principal
- b. reinvest dividends and interest for partial liquidity
- c. seek a reasonable balance between growth and preservation of principal

Guidelines:

- a. The principal shall be preserved intact.
- b. The Board has discretion to withdraw net income (interest, dividends and capital gains) assuming a rate of 3 1/2% or the current yearly net income, whichever is smaller.

LWVMNEF 501(c)(3) RESERVES

UNTIL \$100,000

Investment Objectives:

- a. preserve principal
- b. reinvest all interest dividends
- c. seek a reasonable balance between growth and preservation of principal

Guidelines:

- a. the principal shall be preserved intact
- b. in case of emergency, the Board has the authority to draw on the interest.

AFTER \$100,000

Investment Objectives

- a. preserve the principal
- b. reinvest dividends and interest for partial liquidity
- c. see a reasonable balance between growth and preservation of principal

Guidelines:

- a. The principal shall be preserved intact
- b. the Board has discretion to withdraw net income (interest, dividends and capital gains) assuming a rate of 3 1/2% or the current yearly net income, whichever is smaller.



LWVMN 501(c)(4) RESERVES

AFTER \$500,000

Investment Objectives

- a. preserve the principal
- b. reinvest dividends and interest for partial liquidity
- c. seek a reasonable balance between growth and preservation of principal

Guidelines:

- a. the Board may withdraw up to 50% of current net income that exceeds 3 1/2%.
- b. the Board has the discretion to withdraw up to 20% of accumulated year earnings.

LWVMNEF 501(c)(3) RESERVES

AFTER \$500,000

Investment Objectives

- a. preserve the principal
- b. reinvest dividends and interest for partial liquidity
- c. seek a reasonable balance between growth and preservation of principal

Guidelines:

- a. The Board may withdraw up to 50% of current net income that exceeds 3 1/2%.
- b. The Board has the discretion to withdraw up to 20% of accumulated prior year earnings.

Local League Accounts

Funds restricted to approved educational projects of local Leagues.

Goal: To fund local League educational projects

Objectives:

- a. to maintain the initial cash value of all deposits
- b. liquidity
- c. to produce returns that will cover LWVMNEF administrative costs of local League accounts.

**League of Women Voters of Minnesota  
League of Women Voters of Minnesota Education Fund**

**INVESTMENT POLICY**

**Investment Philosophy**

All funds of the League of Women Voters of Minnesota (LWVMN) and the League of Women Voters of Minnesota Education Fund (LWVMNEF) are held by the LWVMN/LWVMNEF Board of Directors as a fiduciary. Both legally unrestricted and restricted funds are held for the purpose of carrying out the organization's mission, and the following investment objectives and directions are to be judged and understood in light of this overall sense of stewardship. These policies are to be applied separately to the funds of the LWVMN and the funds of the LWVMNEF.

**Investment Oversight**

The oversight of assets and any changes to this Statement of Investment Objectives is ultimately the responsibility of the LWVMN/LWVMNEF Board of Directors.

However, the LWVMN/LWVMNEF Board of Directors has authorized an Investment Committee to serve in an advisory capacity over its financial affairs. In carrying out its responsibilities, the Board, its agents and the Investment Committee shall act in accordance with these investment policies and all applicable laws and regulations. The Board reserves to itself the exclusive right to revise these policies and may also grant exceptions to these investment policies when appropriate. As such, the Investment Committee realizes that its role is advisory and will serve as outlined below.

The Board is authorized to retain one or more investment counselors to assume the management of funds and assets owned and administered by the organization. In discharging this authority, the Executive Committee may act in the place of the Board and may receive reports from, pay compensation to, and enter into agreements with such counselors.

## **Investment Committee Structure**

The President shall appoint with Board approval five persons to serve on an Investment Committee. A majority shall be League members and at least two shall have professional investment experience. Each member shall serve a two-year staggered term starting August 1, 2007. No member shall serve more than three consecutive terms. The chair shall be a League member chosen from members of the committee and shall serve as chair for one year. The President, Executive Director and Treasurer shall be ex officio. The Board reserves the right to remove members or dissolve the committee at its discretion.

## **Roles and Responsibilities**

### **The Board:**

- Approves investment policies and asset allocation recommendations
- Approves threshold at which Investment Committee is authorized to allocate and disburse funds -- delete
- Approves the allocation and disbursement of funds
- Approves recommendations of Investment Committee
- Approves hiring of financial consultants
- Assigns Treasurer to serve as Investment Committee liaison to the Budget Committee
- Reviews financial reports quarterly as presented by chair of Investment Committee
- Reviews Investment Policies annually

### **The Executive Committee:**

- Acts on behalf of the Board at the discretion of the President
- Reviews financial reports quarterly (monthly)

### **The Investment Committee:**

- Develops investment policies and asset allocation recommendations
- Makes allocations and disbursement decisions up to a percentage of the portfolio to be determined -- delete
- Recommends strategy for investing in financial products
- Recommends hiring of financial consultants; monitors work of financial consultants -- delete
- Establishes performance goals
- Reviews performance results vs. goals

Reviews financial reports monthly (provided by Treasurer)  
Meets at least quarterly; chair reports to board quarterly  
Reviews Investment Policies annually and recommends changes  
or updates as needed.

### **Investment Strategy**

In order to achieve return objectives, LWVMN and LWVMNEF will employ the following investment strategies:

Diversification of assets will be employed to ensure that adverse results from one security or asset class will not have an unduly detrimental effect on the entire portfolio. Diversification is interpreted to include diversification by type, by characteristic, and by number of investments as well as by investment style of management organization.

### **Disbursement of Funds**

The Investment Committee should pursue the strategy of having 100% of assets invested. Money needed for the annual Operating Budget and for Special Projects should be placed in an operating account that pays interest but is readily available and is held at a local financial institution. The Investment Committee will not provide advice on the management of handling of these funds. The management or handling of these funds is the responsibility of the Treasurer and the Executive Director. The funding of this operating account is the responsibility of the Board. If funds need to be disbursed from the Investment Account(s), then the Board will direct the Treasurer and the Executive Director to make the disbursement. The Treasurer and the Executive Director will instruct the investment counselor to rebalance the portfolio after a disbursement is made.

### **Depositing Funds**

When new money is brought into the organization, it will be invested as requested by the donor or into the appropriate asset classes. The Treasurer and the Executive Director will instruct the investment counselor to rebalance the portfolio after a deposit is made.

### **Performance Review and Annual Review**

The Investment Committee will review portfolio performance and the Investment Policy on a quarterly and annual basis. Recommendations to make changes may be made through a formal presentation to the board. Changes may be made at any time by the Board.

## **Objectives**

The primary investment objectives of each organization are to preserve, protect and increase its assets by earning a total return for each fund (e.g., operating funds, short-term reserves, and long-term reserves) appropriate to each fund's goal, time horizon, liquidity needs, and risk tolerance.

### **A. Operating Funds**

1. Investment Goals. The primary investment objectives are capital preservation and liquidity while maximizing returns consistent with fund objectives.
2. Purpose. The purpose is to cover the monthly cash flow or to fund designated projects.
3. Management Practices.
  - a. Funds should be held in cash and equivalent investments.
  - b. Estimated interest to be earned on the cash accounts may be included as income in the operating budgets.
  - c. Any restricted funds in these accounts shall be used for the purposes for which they were designated. Interest earned on these accounts may be transferred to operating funds and used for other purposes.
4. Manager. The Treasurer and Executive Director of the organization oversee management of these investments. The Treasurer shall provide the Executive Director and the Board with at least a quarterly accounting of the amounts and types of investments in the fund.

### **B. Short-Term Reserve Fund**

1. Composition: The short-term reserve fund consists of unrestricted and temporarily restricted assets that are anticipated to be needed within the next two years.

2. Investment Goals. The primary investment objectives are capital preservation and liquidity while maximizing returns consistent with fund objectives.
3. Purposes.
  - a. Unrestricted Assets. The primary purpose is to provide funds for current operations and unforeseen contingencies.
  - b. Temporarily Restricted Assets. The primary purpose is to provide funds for designated activities, as specified by the donors/grantors.
4. Management Practices:
  - a. Unrestricted Assets. Annual withdrawals for current operations are approved through the budgeting process.
  - b. Temporarily Restricted Assets. Assets may be withdrawn for the purposes for which they were designated.
  - c. These funds should be managed consistent with fund objectives.
  - d. Any restricted funds in these accounts shall be used for the purposes for which they were designated. Interest earned on these accounts may be transferred to operating funds and used for other purposes.
  - e. Amounts to be transferred to/from the long-term reserve fund shall be determined by the Board.
5. Manager. The Treasurer and Executive Director of the organization oversee management of these investments. The Treasurer shall provide the Executive Director and the Board with at least a quarterly accounting of the amounts and types of investments in the fund.

**EXHIBIT A**  
**ACCEPTABLE RANGES OF INVESTMENTS**  
**FOR THE SHORT-TERM RESERVE FUND**



## Asset Classes

|  | <b>Fixed Income</b>   | <b>Cash and Equivalents</b>  |
|--|---|--|
|  | (certificates of deposit and U.S. & corporate notes and bonds with maturities between 6 months and 2 years) | (U.S. & corporate money market instruments and short-term notes of less than 6 months) |
|  | 20-60%  | 0-75%  |
|  |   |  |

In the above table we deleted the "equity" section which had a percentage of 0-20%. Do we want to change the percentages under Fixed Income and Cash and Equivalents?

### C. Long-Term Reserve Fund

1. Composition. The long-term reserve fund consists of unrestricted (a.k.a., working capital) and temporarily restricted assets not anticipated to be needed for at least two years and the permanently-restricted endowment fund.
2. Investment Goal. The primary investment objective is capital appreciation with above average returns over a full market cycle.
3. Purposes.
  - a. Unrestricted Assets. The primary purpose is to provide funds to meet future operational needs.
  - b. Temporarily Restricted Assets. The primary purpose is to provide funds for designated activities, as specified by the donors/grantors. (Note: Contributions for specific program activities to be undertaken in the near future are to be invested in the short-term reserve fund and not in the long-term reserve fund.)
  - c. Endowment Assets. The primary purpose is to provide long-term financial stability to the organization.
4. Management Practices:

- a. Unrestricted Assets. Amounts to be transferred to/from the short-term reserve fund shall be determined by the Board.
  - b. Temporarily Restricted Assets. Assets may be withdrawn for the purposes for which they were designated.
  - c. Endowment Assets. Principal is donor restricted. Only interest and dividends may be distributed.
  - d. These funds are to be managed on a two- to ten-year basis and should remain within the ranges shown in Exhibit B.
  - e. Income on the long-term reserve fund should remain within the fund.
5. Manager. The Treasurer and Executive Director of the organization oversee management of these investments. The Treasurer shall provide the Executive Director and the Board with at least a quarterly accounting of the amounts and types of investments in the fund.

**EXHIBIT B**  
**ACCEPTABLE RANGES OF INVESTMENTS**  
**FOR THE LONG-TERM RESERVE FUND**

**Asset Classes**

| <b>Equity</b>                        | <b>Fixed Income</b>  | <b>Cash and Equivalents</b>  |
|--------------------------------------|--|--|
| (common stock and convertible bonds) | (certificates of deposit and U.S. & corporate notes and bonds with maturities between 6 months and 10 years) | (U.S. & corporate money market instruments and short-term notes of less than 6 months) |
| 20-80%                               | 20-60%   | 0-20%  |

Asset classes and ranges considered appropriate for investment of fund assets are:

| Asset Class | Min | Target | Max |
|-------------|-----|--------|-----|
|-------------|-----|--------|-----|

|                    |  |  |  |
|--------------------|--|--|--|
| Large Cap Equities |  |  |  |
| Mid Cap Equities   |  |  |  |
| Small Cap Equities |  |  |  |



International Equities  
Fixed income  
Cash and Equivalents

Target Total = 100%

We need to define the asset classes and determine the ranges in Exhibit B.  
No decisions have been made.

### **Responsibilities of the Treasurer**

The Treasurer shall maintain financial records showing allocations of income and capital gains/losses (realized and unrealized) among the various funds (unrestricted assets, those designated funds making up the temporarily restricted assets, and permanently restricted assets). Income may be allocated annually. (At least annually income may be allocated) among the unrestricted and various restricted accounts based on the ending account balances. The Treasurer shall provide the Board and Executive Director with at least a quarterly written statement containing information on the contributions to, and the balances in, each fund.

### **Investment Counselor Reporting Requirements**

1. Monthly: The counselor shall provide the President, the Treasurer, the Executive Director and the Investment Committee with a monthly written statement listing the current worth of each security and containing all pertinent transaction details for each separately managed portfolio for the preceding month, including the name and quantity of each security purchased or sold, with the price and transaction date.
2. Quarterly: The counselor shall provide the President, the Treasurer, the Executive Director, the Board and the Investment Committee with:
  - a. An analysis for each security, including its description, percentage of total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated annual income and yield (%) at market; and
  - b. An analysis for the entire portfolio of the current asset allocation and performance by investment category (equities, fixed-income securities, and cash equivalents) and time horizon.

3. Annually: The counselor shall provide the President, the Treasurer,\* the Executive Director, the Board and the Investment Committee with detailed information about asset allocation, asset diversification, investment performance, and future investment strategies.

\* This would make it consistent with #2 above/or we could just go with "Board" and leave out President and Treasurer in #2 and #3..

### **Performance Goals**

The counselor will provide the Investment Committee and the Board with a report measuring investment performance over rolling three and five-year periods, during which the performance of the assets should consistently meet or exceed a composite index comprised of an appropriate mix (associated with the LWVMN/EF's portfolio) of the indices noted below:

- Standard & Poor 500 and 400 Mid Cap
- Russell 1000 Value
- Russell 1000 Growth
- Russell 2000 Value
- Russell 2000 Growth
- MSCI-EAFE -(Morgan Stanley Capital International, Europe, Australian, and Far East Index)
- Lehman Intermediate Government Credit
- Lehman Aggregate
- Merrill Lynch Bb/B Index
- Merrill Lynch 91 day U.S. Treasury Bills

### **Asset Quality**

1. Common stocks: The quality rating of at least 80 percent of common stocks should be B or better, as rated by Standard & Poor's or other equivalent rating services. (The counselor may use nonrated common stocks at his/her discretion, if the counselor believes the stocks to be of equivalent quality to a B rating by Standard and Poor's.)
2. Convertible preferred stocks and convertible bonds: The counselor may use convertible preferred stocks and bonds as equity investments. The quality rating of convertible preferred stocks and convertible bonds must be BBB or better, as rated by Standard & Poor's, or Baa or better, as

rated by Moody's. The common stock into which both may be converted must be rated as specified in Section 1.

3. Fixed-income securities: The quality rating of bonds and notes must be A or better, as rated by Standard & Poor's or Moody's. The portfolio may consist of only traditional principal and interest obligations (no derivatives) with maturities of ten years or less. (The counselor may use nonrated bonds at her/his discretion, if the counselor believes the bonds to be of equivalent quality to an A rating.)
4. Cash equivalents and Short term reserves: The quality rating of commercial paper must be A-1, as rated by Standard & Poor's, P-1 as rated by Moody's, or better. The assets of any money market mutual funds must comply with the quality provisions for fixed-income securities.

### **Asset Allocation**

To accomplish each organization's investment objectives, the investment counselor is authorized to utilize portfolios of equity securities (common stocks and convertible securities), fixed-income securities, and cash and cash equivalents. As a guide to accomplishing these objectives, investments should remain within the ranges provided. These ranges can be modified from time to time by the Investment Committee with approval by the Board. The actual investment targets shall be set within those limits by the counselor in conjunction with the Investment Committee with Board approval.

### **Asset Diversification**

As a general policy, the investment counselor will maintain reasonable diversification at all times. The counselor may not allow the investments in the equity securities of any one company to exceed 5 percent of each fund's portfolio nor the total securities position (debt and equity) in any one company to exceed 10 percent of that portfolio. The counselor should also maintain reasonable industry allocations and diversification. In that regard, no more than 20% - 25% percent of a fund's portfolio may be invested in the securities of any one industry, using generally accepted industry definitions as determined by the investment counselor. If these percentages

are exceeded due to the performance of one or more equities, the counselor shall consult with the Investment Committee and take steps to restore diversification in a manner and over a period of time as agreed upon by the Investment Committee and the Board.

*Long term  
Moderate  
Risk  
Short term  
Low Risk*

### **Transactions**

All purchases of securities will be for cash, and there will be no margin transactions, short- selling, or commodity transactions.

### **Investment Criteria Based on Mission or Social Responsibility**

The organization desires to invest in companies whose business conduct is consistent with the organization's principles, priorities, and mission. Therefore, the counselor will use his/her best efforts to avoid investing directly in the securities of any company known to participate in businesses that the Board would deem to be inconsistent with the mission of LWVMN and LWVMNEF.

### **Fund Transfers**

The Treasurer and Executive Director will be responsible for transferring all funds from the sale of donated equities to the cash accounts, unless restricted by the donor.

The Executive Director and Treasurer will be responsible for determining the need for transferring funds among the long and short-term reserve funds and cash reserves, in accordance with these policies and the adopted budgets, and for advising the counselor in a timely manner of the organization's cash distribution needs. (The counselor is responsible for providing adequate liquidity to meet each organization's cash flow requirements. -- delete)

The Board shall approve transfers that are not included in the budgets or that occur in time frames different from those projected.

### **Policy Adoption**

These investment policies were adopted by the Board of the League of Women Voters of Minnesota and the Board of the League of Women Voters of Minnesota on: \_\_\_\_\_

2/14/07

11-20-06  
flum KE

## **Proposed Role and Charge of the Committee**

Below is a possible statement of the role and charge of the Investment Committee. In the mid-90's the Investment Committee chaired by Beverly McKinnell was supervisory rather than advisory, meaning that it had the authority to carry out investment policies and hire, monitor or replace any professional consultant or manager working with the committee. We are proposing that the current Investment Committee serve in an advisory capacity.

The following statement is almost identical to one used by the national League (with the substitution of LWVMN for LWVUS and LWVMNEF for LWVEF). The words in italics are not in the LWVUS statement. Also included are statements regarding the Board's right to dissolve the committee and requiring background checks. Both were suggested by Board members.

## **Investment Policies**

All funds of the League of Women Voters of Minnesota (LWVMN) and the League of Women Voters of Minnesota Education Fund (LWVMNEF) are held by the LWVMN/LWVMNEF Board of Directors as a fiduciary. Both legally unrestricted and restricted funds are held for the purpose of carrying out the organization's mission, and the following investment objectives and directions are to be judged and understood in light of this overall sense of stewardship. These policies are to be applied separately to the funds of the LWVMN and the funds of the LWVMNEF.

## **Delegation**

The LWVMN/LWVMNEF Board of Directors has *authorized an Investment Committee to serve in an advisory capacity over its financial affairs*. In carrying out its responsibilities, the Board, its agents and the *Investment Committee* shall act in accordance with these investment policies and all applicable laws and regulations. The Board reserves to itself the exclusive right to revise these policies and may also grant exceptions to these investment policies when appropriate.

The Board is authorized to retain one or more investment counselors to assume the management of funds and assets owned and administered by the organization. In discharging this authority, the *Executive Committee* may act in the place of the Board and may receive reports from, pay compensation to, and enter into agreements with such counselors.



*The President shall appoint with Board approval five persons to serve on an Investment Committee. A majority shall be League members and at least two shall have professional investment experience. Each member shall serve a two-year staggered term starting August 1, 2007. No member shall serve more than two(three) consecutive terms. The chair shall be a League member chosen from members of the committee and shall serve as chair for one year. The President, Executive Director and Treasurer shall be ex officio. The Board reserves the right to remove members or dissolve the committee at its discretion. Anyone making investment decisions, including the Committee and the Board, shall undergo background checks.--This statement was deleted.*

*The Board:*

- Approves investment policies and asset allocation recommendations*
- Approves threshold at which Investment Committee is authorized to allocate and disburse funds*
- Approves recommendations of Investment Committee*
- Approves hiring of financial consultants*
- Assigns Treasurer to serve as Investment Committee liaison to the Budget Committee*
- Reviews financial reports quarterly as presented by chair of Investment Committee*
- Reviews Investment Policies annually*

*The Executive Committee:*

- Acts on behalf of the Board at the discretion of the President*
- Reviews financial reports monthly*

*The Investment Committee:*

- Develops investment policies and asset allocation recommendations*
- Makes allocations and disbursement decisions up to a percentage of the portfolio to be determined*
- Recommends strategy for investing in financial products*
- Recommends hiring of financial consultants; monitors work of financial consultants*
- Reviews financial reports monthly (provided by Treasurer)*
- Meets (at least) quarterly; chair reports to board quarterly*
- Reviews Investment Policies annually.*

League of Women Voters of Minnesota

Gift Acceptance Policies  
Board Adopted 8/9/93  
Revised by LWVMN Board 11/12/97

1. Gifts of publicly traded securities shall be receipted as the number of shares transferred on the date received and sold as promptly as possible.
2. Gifts of real estate and hard-to-value assets shall be accepted at the discretion of the Board. A qualified independent appraisal and an environmental assessment may be required before board acceptance is considered.
3. Restricted gifts in excess of \$5,000 that have not been solicited by representatives of the League shall be accepted at the discretion of the Board to ensure their use is consistent with League purposes and programs.
4. To name a fund requires a \$10,000 minimum contribution.
5. Donors interested in making permanent gifts of principal where only the income earned from investment is spent on an annual basis shall be encouraged to make gifts to the Endowment Fund of the League of Minnesota Voters of Minnesota.

Endowment gifts with income restricted to the following categories will be accepted with no minimum contribution required: Action

Field Service / Membership

Staff Support

Capital Improvements

An Investment Committee appointed by the President and approved by the Board shall establish policies for and oversee the management of the Endowment Fund and report to the Board at least annually.

Income pay out from the Endowment Fund shall be according to guidelines established by the Board.

6. The League shall offer opportunities for donors to make gift agreements for the benefit of the League that reserves income to themselves and / or other beneficiaries for life or for terms of years.

Any gift agreement that carries any liability for the League shall conform to all applicable federal and state laws, be reviewed by legal counsel and approved by the Board prior to the execution of the agreement.



Only personnel approved by the Board shall be authorized to negotiate with any donor in respect to any gift agreement that involves a legal or financial obligation on the part of the League. The Executive Director and the President are specifically authorized to negotiate such agreements.

All gift agreements shall be signed by two persons authorized by the Board. All officers shall be authorized to sign; however, either the President or the Executive Director must be one of the signers.

7. Undesignated memorials, tributes, bequests, or remaining assets of deferred gifts shall be placed in the Board Directed Unrestricted Reserves of the League of Women Voters of Minnesota.

An Investment Committee appointed by the President and approved by the Board shall establish policies for and oversee the management of the Endowment Fund and report to the Board at least annually.

## **League of Women Voters of Minnesota**

### **INVESTMENT POLICIES**

All funds of the League of Women Voters of Minnesota (LWVMN) and the League of Women Voters Education Fund (LWVMNEF) are held by the LWVMN/LWVMNEF Board of Directors/Trustees as a fiduciary. Both legally unrestricted and restricted funds are held for the purpose of carrying out the organization's mission, and the following investment objectives and directions are to be judged and understood in light of this overall sense of stewardship. These policies are to be applied separately to the funds of the LWVMN and the funds of the LWVMNEF.

#### **Objectives**

The primary investment objectives of each organization are to preserve, protect and increase its assets by earning a total return for each fund (e.g., operating funds, short-term reserves, and long-term reserves) appropriate to each fund's goal, time horizon, liquidity needs, and risk tolerance.

#### **A. Operating Funds**

1. Investment Goals. The primary investment objectives are capital preservation and liquidity while maximizing returns consistent with fund objectives.
2. Purpose. The purpose is to cover the monthly cash flow or to fund designated projects.
3. Management Practices.
  - a. Funds should be held in cash and equivalent investments.
  - b. Estimated interest to be earned on the cash accounts may be included as income in the operating budgets.
  - c. Any restricted funds in these accounts shall be used for the purposes for which they were designated. Interest earned on these accounts may be transferred to operating funds and used for other purposes.
4. Manager. The Treasurer and Executive Director of the organization oversee management of these investments. The Treasurer shall provide the Executive Director and the Board with at least a quarterly accounting of the amounts and types of investments in the fund.

#### **B. Short-Term Reserve Fund**

1. Composition: The short-term reserve fund consists of unrestricted and temporarily restricted assets that are anticipated to be needed within the next two years.

2. Investment Goals. The primary investment objectives are capital preservation and liquidity while maximizing returns consistent with fund objectives.
3. Purposes.
  - a. Unrestricted Assets. The primary purpose is to provide funds for current operations and unforeseen contingencies.
  - b. Temporarily Restricted Assets. The primary purpose is to provide funds for designated activities, as specified by the donors/grantors.
4. Management Practices:
  - a. Unrestricted Assets. Annual withdrawals for current operations are approved through the budgeting process.
  - b. Temporarily Restricted Assets. Assets may be withdrawn for the purposes for which they were designated.
  - c. These funds should be managed consistent with fund objectives.
  - d. Any restricted funds in these accounts shall be used for the purposes for which they were designated. Interest earned on these accounts may be transferred to operating funds and used for other purposes.
  - e. Amounts to be transferred to/from the long-term reserve fund shall be determined by the Board.
5. Manager. The Treasurer and Executive Director of the organization oversee management of these investments. The Treasurer shall provide the Executive Director and the Board with at least a quarterly accounting of the amounts and types of investments in the fund.

## **EXHIBIT A - NOT UPDATED**

### **EXHIBIT A ACCEPTABLE RANGES OF INVESTMENTS FOR THE SHORT-TERM RESERVE FUND**

#### **Asset Classes**

| <b>Equity</b>                        | <b>Fixed Income</b>   | <b>Cash and Equivalents</b>  |
|--------------------------------------|---|--|
| (common stock and convertible bonds) | (certificates of deposit and U.S. & corporate notes and bonds with maturities between 6 months and 5 years) | (U.S. & corporate money market instruments and short-term notes of less than 6 months) |
| 0-20%                                | 20-60%  | 0-75%  |

### **C. Long-Term Reserve Fund**

1. Composition. The long-term reserve fund consists of unrestricted (a.k.a., working capital) and temporarily restricted assets not anticipated to be needed for at least two years and the permanently-restricted endowment fund.
2. Investment Goal. The primary investment objective is capital appreciation with above average returns over a full market cycle.
3. Purposes.
  - a. Unrestricted Assets. The primary purpose is to provide funds to meet future operational needs.
  - b. Temporarily Restricted Assets. The primary purpose is to provide funds for designated activities, as specified by the donors/grantors. (Note: Contributions for specific program activities to be undertaken in the near future are to be invested in the short-term reserve fund and not in the long-term reserve fund.)
  - c. Endowment Assets. The primary purpose is to provide long-term financial stability to the organization.
4. Management Practices:
  - a. Unrestricted Assets. Amounts to be transferred to/from the short-term reserve fund shall be determined annually by the Board.
  - b. Temporarily Restricted Assets. Assets may be withdrawn for the purposes for which they were designated.
  - c. Endowment Assets. Principal is donor restricted. Only interest and dividends may be distributed.
  - d. These funds are to be managed on a two- to ten-year basis and should remain within the ranges shown in Exhibit B.
  - e. Income on the long-term reserve fund should remain within the fund.
4. Manager. The Treasurer and Executive Director of the organization oversee management of these investments. The Treasurer shall provide the Executive Director and the Board with at least a quarterly accounting of the amounts and types of investments in the fund.

## **EXHIBIT B - NOT UPDATED**

### **EXHIBIT B ACCEPTABLE RANGES OF INVESTMENTS FOR THE LONG-TERM RESERVE FUND**

#### **Asset Classes**

| <b>Equity</b> | <b>Fixed Income</b> | <b>Cash and Equivalents</b> |
|---------------|---------------------|-----------------------------|
|---------------|---------------------|-----------------------------|

|                                      |  |  |
|--------------------------------------|--|--|
| (common stock and convertible bonds) | (certificates of deposit and U.S. & corporate notes and bonds with maturities between 6 months and 10 years) | (U.S. & corporate money market instruments and short-term notes of less than 6 months) |
| 20-80%                               | 20-60%   | 0-20%  |

### **Responsibilities of the Treasurer**

The Treasurer shall maintain financial records showing allocations of income and capital gains/losses (realized and unrealized) among the various funds (unrestricted assets, those designated funds making up the temporarily restricted assets, and permanently restricted assets). At least annually income may be allocated among the unrestricted and various restricted accounts based on the ending account balances. The Treasurer shall provide the Board and Executive Director with at least a quarterly written statement containing information on the contributions to, and the balances in, each fund.

**NOT UPDATED from here to the end**

### **Investment Counselor Reporting Requirements**

1. Monthly: The counselor shall provide the president, the treasurer, the Executive Director, and the Chief Financial Officer with a monthly written statement listing the current worth of each security and containing all pertinent transaction details for each separately managed portfolio for the preceding month, including the name and quantity of each security purchased or sold, with the price and transaction date.
2. Quarterly: The counselor shall provide the president, the treasurer, the Executive Director and the Chief Financial Officer with:
  - a. An analysis for each security, including its description, percentage of total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated annual income and yield (%) at market; and
  - b. An analysis for the entire portfolio of the current asset allocation by investment category (equities, fixed-income securities, and cash equivalents) and time horizon.
3. Annually: The counselor shall provide the board, the Executive Director and the Chief Financial Officer with detailed information about asset allocation, asset diversification, investment performance, and future investment strategies.

### **Asset Quality**

1. Common stocks: The quality rating of at least 80 percent of common stocks should be B or better, as rated by Standard & Poor's or other equivalent rating services. The

counselor may use nonrated common stocks at his/her discretion, if the counselor believes the stocks to be of equivalent quality to a B rating by Standard and Poor's.

2. Convertible preferred stocks and convertible bonds: The counselor may use convertible preferred stocks and bonds as equity investments. The quality rating of convertible preferred stocks and convertible bonds must be BBB or better, as rated by Standard & Poor's, or Baa or better, as rated by Moody's. The common stock into which both may be converted must be rated as specified in Section 1.
3. Fixed-income securities: The quality rating of bonds and notes must be A or better, as rated by Standard & Poor's or Moody's. The portfolio may consist of only traditional principal and interest obligations (no derivatives) with maturities of ten years or less. The counselor may use nonrated bonds at her/his discretion, if the counselor believes the bonds to be of equivalent quality to an A rating.
4. Cash equivalents: The quality rating of commercial paper must be A-1, as rated by Standard & Poor's, P-1 as rated by Moody's, or better. The assets of any money market mutual funds must comply with the quality provisions for fixed-income securities.

#### **Asset Allocation**

To accomplish each organization's investment objectives, the investment counselor is authorized to utilize portfolios of equity securities (common stocks and convertible securities), fixed-income securities, and cash and cash equivalents. As a guide to accomplishing these objectives, investments should remain within the ranges provided. These ranges can be modified from time to time by the Executive Committee with approval by the board. The actual investment targets shall be set within those limits by the counselor in conjunction with the Executive Committee.

#### **Asset Diversification**

As a general policy, the investment counselor will maintain reasonable diversification at all times. The counselor may not allow the investments in the equity securities of any one company to exceed 10 percent of each fund's portfolio nor the total securities position (debt and equity) in any one company to exceed 12 percent of that portfolio. The counselor should also maintain reasonable industry allocations and diversification. In that regard, no more than 15 percent of a fund's portfolio may be invested in the securities of any one industry, using generally accepted industry definitions as determined by the investment counselor. If these percentages are exceeded due to the performance of one or more equities, the counselor shall consult with the Executive Committee and take steps to restore diversification in a manner and over a period of time as agreed upon by the Executive Committee.

#### **Transactions**

All purchases of securities will be for cash, and there will be no margin transactions, short- selling, or commodity transaction.

#### **Investment Criteria Based on Mission or Social Responsibility**



The organization desires to invest in companies whose business conduct is consistent with the organization's principles, priorities, and mission. Therefore, the counselor will use his/her best efforts to avoid investing directly in the securities of any company known to participate in businesses that the board would deem to be inappropriate.

#### **Fund Transfers**

The investment counselor will be responsible for transferring all funds from the sale of donated equities to the cash accounts, unless otherwise specified by the donor.

The Executive Director and Chief Financial Officer will be responsible for determining the need for transferring funds between the short-term reserve fund and cash reserves, in accordance with these policies and the adopted budgets, and for advising the counselor in a timely manner of the organization's cash distribution needs. The counselor is responsible for providing adequate liquidity to meet each organization's cash flow requirements.

The Executive Committee shall approve transfers that are not included in the budgets or that occur in time frames different from those projected. The Executive Committee shall also review



**WACHOVIA**

### **National Center for Planned Giving**

## **INVESTMENT POLICY STATEMENT**

### **League of Women Voters Education Fund**

#### **I. MISSION STATEMENT**

The purpose of the Investment Policy document is to provide guidelines for the management of planned giving assets of the League of Women Voters Education Fund. The investment policy seeks to translate the investment goals and objectives of the League of Women Voters Education Fund into a cohesive, long-term investment framework that is consistent with the overall mission and the management of the planned giving funds.

## **II. PURPOSE OF POLICY**

The purpose of this statement is to establish the investment policy for the management of planned giving assets for the League of Women Voters Education Fund. This statement of investment policies is set forth in order to:

1. Establish and document the investment objectives, philosophy, policies, guidelines, and goals for the planned giving investment assets of the League of Women Voters Education Fund.
2. Provide the Finance Committee of the Board of Trustees (the Committee) of the League of Women Voters Education Fund with a written document and understanding of said investment objectives, philosophy, policies and goals of the League of Women Voters Education Fund's planned giving assets.
3. Clearly communicate to the Committee and Wachovia Center for Planned Giving (the Investment Manager) their role, and the duties and responsibilities.
4. Establish the basis for evaluation of the investment performance of the League of Women Voters Education Fund's planned giving portfolio and of the Investment Manager.

This statement is meant to be sufficiently specific to be meaningful, but also flexible enough to attain the objectives to be outlined, allowing for changing economic conditions and securities markets.

## **III. CONTEXT OF POLICY**

The Committee recognizes that the primary purpose of this portfolio is to provide individual beneficiaries with agreed upon entitlement and the remainder to the League of Women Voters Education Fund and/or affiliates to achieve the charitable goals of the donors. As such the objective of the portfolio will be income, growth, and preservation of the charitable remainder.

Charitable gift annuities are subject to various state regulations. This policy seeks to achieve the objectives set forth while being mindful of the various state restrictions that may be placed on the charitable gift annuity investments of the League of Women Voters Education Fund. The Committee recognizes that from time to time some changes in investment allocations may have to be made to comply with such statutes.



Additionally, in developing the Investment Policy, the Committee recognizes the following:

- fluctuating rates of return are a characteristic of the investment markets, and
- performance cycles cannot be accurately predicted as to their beginning, and/or magnitude.

Therefore, the asset allocation decisions set forth in this policy are based on a careful examination of:

- The mission and goals of the League of Women Voters Education Fund's planned giving program.
- Historical review of various asset categories, their risk and return characteristics and correlation coefficient.
- The various statutory requirements placed on charitable gift annuities and charitable trusts.

#### **IV. INVESTMENT GOALS AND OBJECTIVES**

These funds are defined to be permanent in nature and therefore employ a long-term approach to the investment of these dollars. The primary investment objective of the League of Women Voters Education Fund is to provide for long-term growth of capital while meeting the payout obligations to the beneficiaries of the Charitable Gift Annuity Contracts, Pooled Income Fund and Charitable Trusts.

The Committee recommends that the primary investment goals be:

- Provide individual beneficiaries with agreed upon entitlement and the remainder to the League of Women Voters Education Fund and/or affiliates to achieve the charitable intent of the donor.
- Growth of the fund corpus while minimizing year-to-year fluctuations in the value of the portfolio.

#### **V. PERFORMANCE GOALS**

The responsibility for administering and reviewing the League of Women Voters Education Fund's investment policies are within the purview of the Board of Trustees. The Board of Trustees will approve all policy guidelines and amendments. The Committee will oversee the investment management of the League of Women Voters Education Fund and periodically evaluate the performance results and make recommendations as to changes in the management of these funds.

The Committee will meet at least annually with the Investment Manager to review compliance with established guidelines and performance results.

The Committee will measure investment performance over rolling three and five-year periods, during which the performance of the assets should consistently meet or exceed a composite index comprised of an appropriate mix (associated with the League of Women Voters Education Fund's portfolio) of the indices noted below:

- Standard & Poor 500 and 400 Mid Cap
- Russell 1000 Value
- Russell 1000 Growth
- Russell 2000 Value
- Russell 2000 Growth
- MSCI-EAFE -(Morgan Stanley Capital International, Europe, Australian, and Far East Index)
- Lehman Intermediate Government Credit
- Lehman Aggregate
- Merrill Lynch Bb/B Index
- Merrill Lynch 91 day U.S. Treasury Bills
- Other indices, mutually agreed on by the Committee and the Investment Manager, which provide a better match for the Investment Manager's investment style or strategy.

The appropriate mix of indices associated with the League of Women Voters Education Fund's planned giving portfolio will be reflected in the performance reporting of the portfolio.

## VI. INVESTMENT GUIDELINES

### ASSET ALLOCATION TARGETS (Multi-State Charitable Gift Annuity Reserve)

The reserve portion of the fund will be invested pursuant to the state restrictions on charitable gift annuities. Issuance of gift annuities is governed by numerous states, and the most conservative approach as determined by the state restrictions ensures compliance in a charitable gift annuity pool. The amount of the reserve and the state restrictions are determined based on the profile of the gift annuitant pool using the applicable mortality tables and discount factors. The investment models are then developed as a result of the analysis of the latest applicable state regulations and the reserve amount.

Any funds designated by the board as "reserve" funds, but not subject to state restrictions, will be maintained within the same allowable ranges as the surplus fund.

### *ASSET ALLOCATION TARGETS (Charitable Gift Annuity Surplus and Charitable Remainder Trusts)*

The non-reserve or surplus portion of charitable gift annuity pool may be invested in any mix of equity and fixed income mutual funds. Charitable remainder trusts may also be invested in any mix of equity and fixed income mutual funds.

To achieve the investment objective, the surplus portion of the assets shall be allocated among a number of asset classes. These asset classes may include: core domestic equities, style specific domestic equities, small company equities, whether core or style specific, domestic fixed income securities, global fixed income securities, international equities and cash equivalents.

Since the League of Women Voters Education Fund currently does not have restricted states in the gift annuity pool, the **asset allocation of the charitable gift annuity reserve and surplus portfolio** will be maintained within the allowable ranges indicated below:

|                           | Ranges     | Normal |
|---------------------------|------------|--------|
| Cash Equivalents:         | 0% to 5%   | 0%     |
| Fixed Income Securities*: | 20% to 60% | 40%    |
| Equities:                 | 40% to 80% | 60%    |
| • Large Cap               | 30% to 50% | 36%    |
| • Small Cap/ Mid Cap      | 5% to 20%  | 14%    |
| • International           | 5% to 10%  | 10%    |

The **asset allocation of the charitable remainder trust portfolio** will be maintained within the allowable ranges indicated below:

|                           | Ranges     | Normal |
|---------------------------|------------|--------|
| Cash Equivalents:         | 0% to 5%   | 0%     |
| Fixed Income Securities*: | 25% to 45% | 40%    |
| Equities:                 | 55% to 75% | 60%    |
| • Large Cap               | 30% to 50% | 36%    |
| • Small Cap/Mid Cap       | 5% to 20%  | 14%    |
| • International           | 5% to 10%  | 10%    |

#### **ASSET ALLOCATION TARGETS (Pooled Income Fund Trust)**

The pooled income fund trust may be invested in any mix of fixed income and equity mutual funds with the primary purpose of generating income and capital appreciation.

To achieve the investment objective, the surplus portion of the assets shall be allocated among a number of asset classes. These asset classes may include: core domestic equities, style specific domestic equities, domestic fixed income securities, cash equivalents, and non-investment grade fixed income bonds through mutual funds.

The **asset allocation of the pooled income trust portfolio** will be maintained within the allowable ranges indicated below:

|                           | Ranges      | Normal |
|---------------------------|-------------|--------|
| Cash Equivalents:         | 0% to 5%    | 0%     |
| Fixed Income Securities*: | 50% to 100% | 80%    |
| Equities:                 | 0% to 50%   | 20%    |

\*In addition, the Committee may authorize the Investment Manager to deploy up to 10% of the Portfolio to Non-Investment Grade Fixed Income Bonds and 10% to Foreign Bonds through mutual funds.

#### **GENERAL ASSET ALLOCATION PARAMETERS**

The Committee recognizes that a rigid asset allocation would be both impractical and to some extent, undesirable under various market conditions. Therefore, the allocation of the League of Women Voters Education Fund's total planned giving assets may vary from time to time within the accepted ranges without being considered an exception to this investment policy. Acceptable range is within 500 basis points of the target. The League of Women Voters Education Fund instructs the Investment Manager to rebalance

its portfolio on a quarterly basis. In rebalancing, the Investment Manager will allocate assets back to the target allocation per portfolio.

The Investment Manager has no authority to substitute funds without soliciting and receiving approval from the committee.

**Permitted Investments:**

1. Cash Equivalents: all cash and equivalent investments shall be made with utmost concern for quality. Therefore, investments will be limited to U.S. Treasury bills, commercial paper rated P-I and insured certificates of deposit. Other securities that reflect similar quality as those described above including, but not limited to, money market mutual funds which meet such parameters, are permissible also.
2. Fixed Income: fixed income securities shall include securities issued by the U.S. government and its agencies and securities issued by U.S. corporations. The average quality of the League of Women Voters Education Fund's fixed income portfolio must be at least "A" rated. Fixed income mutual funds, which meet such parameters, are permissible.
3. Equities: equities shall include common stocks, preferred stocks, and bonds convertible into common stock. Adequate diversification shall be maintained within the purchased equity portfolio so that no single security comprises more than 5% of the total value of the equity portfolio. Donated stocks may be exempted from these criteria, at the discretion of the Committee. Mutual funds, which meet the investment parameters, including investment grade quality, are permissible.

**Prohibited Investments:**

The following categories of securities and other investment activity are not permitted for investment without the prior written approval of the Committee.

- Unregistered or restricted stock
- Commodities, precious metals or tangibles
- Private placements
- Initial public offerings (must have two year trading history)
- Uncovered options
- Futures trading
- Short selling
- Margin trading
- Letter Stock
- Venture capital

VII. Policy Review and Modification

Each year, the Committee will review the Investment Policy, investment objectives, benchmarks, asset allocation and restrictions for the League of Women Voters Education Fund. The Committee will also use its periodic investment performance evaluations as occasions to also consider whether any elements of the existing policy are either insufficient or inappropriate. In particular, the Committee will review the following:

- The League of Women Voters Education Fund 's ongoing ability to tolerate downturns in asset value (function of financial and cash flow considerations)
- Any changes in the League of Women Voters Education Fund 's liquidity requirements
- Any changes in the League of Women Voters Education Fund 's spending requirements
- Any changes in the League of Women Voters Education Fund 's rate of return objectives
- Changes in the League of Women Voters Education Fund 's priorities
- Areas found to be important but not covered by policy.

### **VIII. POLICY ADOPTION**

This investment policy was adopted by the Board of Trustees of the League of Women Voters Education Fund on:

January 29, 2006.



**League of Women Voters of Minnesota  
League of Women Voters of Minnesota Education Fund**

**INVESTMENT POLICIES**

➤ **Investment Philosophy**

All funds of the League of Women Voters of Minnesota (LWVMN) and the League of Women Voters of Minnesota Education Fund (LWVMNEF) are held by the LWVMN/LWVMNEF Board of Directors as a fiduciary. Both legally unrestricted and restricted funds are held for the purpose of carrying out the organization's mission, and the following investment objectives and directions are to be judged and understood in light of this overall sense of stewardship. These policies are to be applied separately to the funds of the LWVMN and the funds of the LWVMNEF.

➤ **Investment Oversight**

The oversight of assets and any changes to this Statement of Investment Objectives is ultimately the responsibility of the LWVMN/LWVMNEF Board of Directors.

**Delegation**

The LWVMN/LWVMNEF Board of Directors has authorized an Investment Committee to serve in an advisory capacity over its financial affairs. In carrying out its responsibilities, the Board, its agents and the Investment Committee shall act in accordance with these investment policies and all applicable laws and regulations. The Board reserves to itself the exclusive right to revise these policies and may also grant exceptions to these investment policies when appropriate. As such, the Investment Committee realizes that its role is advisory and will serve as outlined below.

The Board is authorized to retain one or more investment counselors to assume the management of funds and assets owned and administered by the organization. In discharging this authority, the Executive Committee may act in the place of the Board and may receive reports from, pay compensation to, and enter into agreements with such counselors.

**Investment Committee Structure**

The President shall appoint with Board approval five persons to serve on an Investment Committee. A majority shall be League members and at least two shall have professional investment experience. Each member shall serve a two-year staggered term starting August 1, 2007. No member shall serve more than three consecutive terms. The chair shall be a League member chosen from members of the committee and shall serve as chair for one year. The President, Executive Director and Treasurer shall be ex officio. The Board reserves the right to remove members or dissolve the committee at its discretion.

### **Roles and Responsibilities**

#### **The Board:**

- Approves investment policies and asset allocation recommendations
- delete? →* Approves threshold at which Investment Committee is authorized to allocate and disburse funds\* \*\*
- to keep* Approves recommendations of Investment Committee
- bd. as* Approves hiring of financial consultants
- decision* Assigns Treasurer to serve as Investment Committee liaison to the Budget Committee
- maker* Reviews financial reports quarterly as presented by chair of Investment Committee
- Reviews Investment Policies annually

This section requires the chair of the Investment Committee to present financial reports to the Board quarterly. Do we want the "Manager" sections under each type of fund (in later sections) to include the Investment Committee?

#### **The Executive Committee:**

- Acts on behalf of the Board at the discretion of the President
- Reviews financial reports monthly

#### **The Investment Committee:**

- Develops investment policies and asset allocation recommendations
- e* Makes allocations and disbursement decisions up to a percentage of the portfolio to be determined\* \*\*
- Recommends strategy for investing in financial products
- Recommends hiring of financial consultants; monitors work of financial consultants
- Reviews financial reports monthly (provided by Treasurer)

Meets at least quarterly; chair reports to board quarterly  
Reviews Investment Policies annually and recommends changes  
or updates as needed.

Add: Establishes performance goals

Add: Reviews performance results vs. goals

\*We need to discuss the threshold at which the Investment Committee will  
allocate and disburse funds.

The previous section has been approved by the Board.

\*\* Chris would delete these sections

## **Objectives**

The primary investment objectives of each organization are to preserve,  
protect and increase its assets by earning a total return for each fund (e.g.,  
operating funds, short-term reserves, and long-term reserves) appropriate to  
each fund's goal, time horizon, liquidity needs, and risk tolerance.

### **A. Operating Funds**

1. Investment Goals. The primary investment objectives are capital  
preservation and liquidity while maximizing returns consistent with fund  
objectives.
2. Purpose. The purpose is to cover the monthly cash flow or to fund  
designated projects.
3. Management Practices.
  - a. Funds should be held in cash and equivalent investments.
  - b. Estimated interest to be earned on the cash accounts may be included  
as income in the operating budgets.
  - c. Any restricted funds in these accounts shall be used for the purposes  
for which they were designated. Interest earned on these accounts  
may be transferred to operating funds and used for other purposes.
4. Manager. The Treasurer and Executive Director of the organization  
oversee management of these investments. The Treasurer shall provide  
the Executive Director and the Board with at least a quarterly accounting  
of the amounts and types of investments in the fund.



## **B. Short-Term Reserve Fund**

1. Composition: The short-term reserve fund consists of unrestricted and temporarily restricted assets that are anticipated to be needed within the next two years.
2. Investment Goals. The primary investment objectives are capital preservation and liquidity while maximizing returns consistent with fund objectives.
3. Purposes.
  - a. Unrestricted Assets. The primary purpose is to provide funds for current operations and unforeseen contingencies.
  - b. Temporarily Restricted Assets. The primary purpose is to provide funds for designated activities, as specified by the donors/grantors.
4. Management Practices:
  - a. Unrestricted Assets. Annual withdrawals for current operations are approved through the budgeting process.
  - b. Temporarily Restricted Assets. Assets may be withdrawn for the purposes for which they were designated.
  - c. These funds should be managed consistent with fund objectives.
  - d. Any restricted funds in these accounts shall be used for the purposes for which they were designated. Interest earned on these accounts may be transferred to operating funds and used for other purposes.
  - e. Amounts to be transferred to/from the long-term reserve fund shall be determined by the Board.
5. Manager. The Treasurer and Executive Director of the organization oversee management of these investments. The Treasurer shall provide the Executive Director and the Board with at least a quarterly accounting of the amounts and types of investments in the fund.

### **EXHIBIT A ACCEPTABLE RANGES OF INVESTMENTS FOR THE SHORT-TERM RESERVE FUND**

#### **Asset Classes**

| <b>Equity</b>                        | <b>Fixed Income</b>   | <b>Cash and Equivalents</b>  |
|--------------------------------------|---|--|
| (common stock and convertible bonds) | (certificates of deposit and U.S. & corporate notes and bonds with maturities between 6 months and 2 (5) years) | (U.S. & corporate money market instruments and short-term notes of less than 6 months) |
| 0-20%                                | 20-60%  | 0-75%  |
|                                      |   |  |

### **C. Long-Term Reserve Fund**

1. Composition. The long-term reserve fund consists of unrestricted (a.k.a., working capital) and temporarily restricted assets not anticipated to be needed for at least two years and the permanently-restricted endowment fund.
2. Investment Goal. The primary investment objective is capital appreciation with above average returns over a full market cycle.
3. Purposes.
  - a. Unrestricted Assets. The primary purpose is to provide funds to meet future operational needs.
  - b. Temporarily Restricted Assets. The primary purpose is to provide funds for designated activities, as specified by the donors/grantors. (Note: Contributions for specific program activities to be undertaken in the near future are to be invested in the short-term reserve fund and not in the long-term reserve fund.)
  - c. Endowment Assets. The primary purpose is to provide long-term financial stability to the organization.
4. Management Practices:
  - a. Unrestricted Assets. Amounts to be transferred to/from the short-term reserve fund shall be determined by the Board.
  - b. Temporarily Restricted Assets. Assets may be withdrawn for the purposes for which they were designated.
  - c. Endowment Assets. Principal is donor restricted. Only interest and dividends may be distributed.

- d. These funds are to be managed on a two- to ten-year basis and should remain within the ranges shown in Exhibit B.
- e. Income on the long-term reserve fund should remain within the fund.

5. Manager. The Treasurer and Executive Director of the organization oversee management of these investments. The Treasurer shall provide the Executive Director and the Board with at least a quarterly accounting of the amounts and types of investments in the fund.

**EXHIBIT B**  
**ACCEPTABLE RANGES OF INVESTMENTS**  
**FOR THE LONG-TERM RESERVE FUND**

**Asset Classes**

| <b>Equity</b>                        | <b>Fixed Income</b>  | <b>Cash and Equivalents</b>  |
|--------------------------------------|--|--|
| (common stock and convertible bonds) | (certificates of deposit and U.S. & corporate notes and bonds with maturities between 6 months and 10 years) | (U.S. & corporate money market instruments and short-term notes of less than 6 months) |
| 20-80%                               | 20-60%   | 0-20%  |

Asset classes and ranges considered appropriate for investment of fund assets are:

| <u>Asset Class</u>     | <u>Min</u> | <u>Target</u> | <u>Max</u> |
|------------------------|------------|---------------|------------|
| Large Cap Equities     |            |               |            |
| Mid Cap Equities       |            |               |            |
| Small Cap Equities     |            |               |            |
| International Equities |            |               |            |

Target Total = 100%

(Janet would add Cash and Equivalents and Fixed Income to this list.)



We need to define the asset classes and determine the ranges in Exhibit B. No decisions have been made.

### **Responsibilities of the Treasurer**

The Treasurer shall maintain financial records showing allocations of income and capital gains/losses (realized and unrealized) among the various funds (unrestricted assets, those designated funds making up the temporarily restricted assets, and permanently restricted assets). At least annually income may be allocated among the unrestricted and various restricted accounts based on the ending account balances. The Treasurer shall provide the Board and Executive Director with at least a quarterly written statement containing information on the contributions to, and the balances in, each fund.

We had previously changed "should" to may (above). "May" is more permissive. Does "at least" still make sense here?

### **Investment Counselor Reporting Requirements**

1. Monthly: The counselor shall provide the President, the Treasurer and the Executive Director (, and the Chief Financial Officer) with a monthly written statement listing the current worth of each security and containing all pertinent transaction details for each separately managed portfolio for the preceding month, including the name and quantity of each security purchased or sold, with the price and transaction date.
2. Quarterly: The counselor shall provide the President, the Treasurer and the Executive Director (, and the Chief Financial Officer) with:
  - a. An analysis for each security, including its description, percentage of total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated annual income and yield (%) at market; and
  - b. An analysis for the entire portfolio of the current asset allocation and performance by investment category (equities, fixed-income securities, and cash equivalents) and time horizon.
3. Annually: The counselor shall provide the Board and the Executive Director (and the Chief Financial Officer) with detailed information

about asset allocation, asset diversification, investment performance, and future investment strategies.

Should the Investment Committee also receive quarterly reports and the annual report (#3 in each section) ?

### **Performance Goals**

The counselor will provide the Investment Committee and the Board with a report measuring investment performance over rolling three and five-year periods, during which the performance of the assets should consistently meet or exceed a composite index comprised of an appropriate mix (associated with the LWVMN/EF's portfolio) of the indices noted below:

- Standard & Poor 500 and 400 Mid Cap
- Russell 1000 Value
- Russell 1000 Growth
- Russell 2000 Value
- Russell 2000 Growth
- MSCI-EAFE -(Morgan Stanley Capital International, Europe, Australian, and Far East Index)
- Lehman Intermediate Government Credit
- Lehman Aggregate
- Merrill Lynch Bb/B Index
- Merrill Lynch 91 day U.S. Treasury Bills

### **Asset Quality**

1. Common stocks: The quality rating of at least 80 percent of common stocks should be B or better, as rated by Standard & Poor's or other equivalent rating services. The counselor may use nonrated common stocks at his/her discretion, if the counselor believes the stocks to be of equivalent quality to a B rating by Standard and Poor's.

I thought I had noted all the differences between the LWVUS policies and the booklet. However, I didn't catch them all.

The CUIP booklet states the quality rating of common stocks should be B+ or better. It also has a slightly different version of the last sentence:

"The Counselor may use nonrated common stocks at his or her discretion within the foregoing guideline."

Note the difference between the last sentence in this version and the LWVUS version in black above. We removed this "counselor may..." statement from #3 because it seemed subjective. Do we want to remove the "counselor may" statement from #1 as well? The CUIP booklet does not contain the "counselor" statements in #3 and has a slightly different statement in #1. *yes*

2. Convertible preferred stocks and convertible bonds: The counselor may use convertible preferred stocks and bonds as equity investments. The quality rating of convertible preferred stocks and convertible bonds must be BBB or better, as rated by Standard & Poor's, or Baa or better, as rated by Moody's. The common stock into which both may be converted must be rated as specified in Section 1.
3. Fixed-income securities: The quality rating of bonds and notes must be A or better, as rated by Standard & Poor's or Moody's. The portfolio may consist of only traditional principal and interest obligations (no derivatives) with maturities of ten years or less. (The counselor may use nonrated bonds at her/his discretion, if the counselor believes the bonds to be of equivalent quality to an A rating.)

CUIP booklet: Fixed-income securities: The quality rating of bonds and notes must be AA or better, as rated by Standard & Poor's or Moody's. The portfolio may consist of only traditional principal and interest obligations (no derivatives) with maturities of seven years or less.

4. Cash equivalents: The quality rating of commercial paper must be A-1, as rated by Standard & Poor's, P-1 as rated by Moody's, or better. The assets of any money market mutual funds must comply with the quality provisions for fixed-income securities.

LWVUS uses "cash equivalents" – CUIP uses "Short Term Reserves". Would "Short Term Reserves" be more consistent with the rest of the document? *yes*

#### **Asset Allocation**



To accomplish each organization's investment objectives, the investment counselor is authorized to utilize portfolios of equity securities (common stocks and convertible securities), fixed-income securities, and cash and cash equivalents. As a guide to accomplishing these objectives, investments should remain within the ranges provided. These ranges can be modified from time to time by the Investment (Executive) Committee with approval by the Board. The actual investment targets shall be set within those limits by the counselor in conjunction with the Investment (Executive) Committee with Board approval.

### **Asset Diversification**

As a general policy, the investment counselor will maintain reasonable diversification at all times. The counselor may not allow the investments in the equity securities of any one company to exceed 5 (10) percent of each fund's portfolio nor the total securities position (debt and equity) in any one company to exceed 10 (12) percent of that portfolio. The counselor should also maintain reasonable industry allocations and diversification. In that regard, no more than 15\* percent of a fund's portfolio may be invested in the securities of any one industry, using generally accepted industry definitions as determined by the investment counselor. If these percentages are exceeded due to the performance of one or more equities, the counselor shall consult with the Investment (Executive) Committee and take steps to restore diversification in a manner and over a period of time as agreed upon by the Investment (Executive) Committee and the Board.

\*We need to discuss this. LWVUS uses 15%, the CUIP booklet states 25%. Should it be something in between-- 20%?

*maybe*

### **Transactions**

All purchases of securities will be for cash, and there will be no margin transactions, short- selling, or commodity transactions. (?)

### **Investment Criteria Based on Mission or Social Responsibility**

The organization desires to invest in companies whose business conduct is consistent with the organization's principles, priorities, and mission.

Therefore, the counselor will use his/her best efforts to avoid investing directly in the securities of any company known to participate in businesses that the Board would deem to be inconsistent with the mission of LWVMN/EF (inappropriate).

Here is my stab at an explanation of the difficulty of including this statement: In making the decision about whether or not to invest based on mission and/or social responsibility, boards must understand that purity is impossible. There are too many interlocking relationships between companies and their own pension plans and investments to isolate a portfolio. Also, restricting investments based on moral or social concerns has been shown to lower portfolio performance by one-half of 1 percent according to studies looking at tobacco, alcohol and gambling stocks (three of the most common stocks restricted by Boards). Restrictions *are* permitted by the Prudent Investor Rule.

### **Fund Transfers**

The Executive Director (investment counselor) will be responsible for transferring all funds from the sale of donated equities to the cash accounts, unless restricted (otherwise specified) by the donor.

The Executive Director and Treasurer (Chief Financial Office) will be responsible for determining the need for transferring funds among (between) the long and short-term reserve funds and cash reserves, in accordance with these policies and the adopted budgets, and for advising the counselor in a timely manner of the organization's cash distribution needs. The counselor is responsible for providing adequate liquidity to meet each organization's cash flow requirements.

The Board (Executive Committee) shall approve transfers that are not included in the budgets or that occur in time frames different from those projected.

### **Policy Adoption**

These investment policies were adopted by the Board of the League of Women Voters of Minnesota and the Board of the League of Women Voters of Minnesota on: \_\_\_\_\_

Only personnel approved by the Board shall be authorized to negotiate with any donor in respect to any gift agreement that involves a legal or financial obligation on the part of the League. The Executive Director and the President are specifically authorized to negotiate such agreements.

All gift agreements shall be signed by two persons authorized by the Board. All officers shall be authorized to sign; however, either the President or the Executive Director must be one of the signers.

7. Undesignated memorials, tributes, bequests, or remaining assets of deferred gifts shall be placed in the Board Directed Unrestricted Reserves of the League of Women Voters of Minnesota.

An Investment Committee appointed by the President and approved by the Board shall establish policies for and oversee the management of the Endowment Fund and report to the Board at least annually.



League of Women Voters of Minnesota

Gift Acceptance Policies

Board Adopted 8/9/93

Revised by LWVMN Board 11/12/97

1. Gifts of publicly traded securities shall be receipted as the number of shares transferred on the date received and sold as promptly as possible.
2. Gifts of real estate and hard-to-value assets shall be accepted at the discretion of the Board. A qualified independent appraisal and an environmental assessment may be required before board acceptance is considered.
3. Restricted gifts in excess of \$5,000 that have not been solicited by representatives of the League shall be accepted at the discretion of the Board to ensure their use is consistent with League purposes and programs.
4. To name a fund requires a \$10,000 minimum contribution.
5. Donors interested in making permanent gifts of principal where only the income earned from investment is spent on an annual basis shall be encouraged to make gifts to the Endowment Fund of the League of Minnesota Voters of Minnesota.

Endowment gifts with income restricted to the following categories will be accepted with no minimum contribution required: Action

Field Service / Membership

Staff Support

Capital Improvements

An Investment Committee appointed by the President and approved by the Board shall establish policies for and oversee the management of the Endowment Fund and report to the Board at least annually.

Income pay out from the Endowment Fund shall be according to guidelines established by the Board.

6. The League shall offer opportunities for donors to make gift agreements for the benefit of the League that reserves income to themselves and / or other beneficiaries for life or for terms of years.

Any gift agreement that carries any liability for the League shall conform to all applicable federal and state laws, be reviewed by legal counsel and approved by the Board prior to the execution of the agreement.

Working Capital Reserve Scenarios  
Balance of 700,000

| Rate             | 0.03      | 0.0525   |             |
|------------------|-----------|----------|-------------|
| Distribution     | Income    | Balance  |             |
| Beginning Amount |           |          | 700,000     |
| Year 1           | (120,000) | 30,450   | 610,450     |
| Year 2           | (123,600) | 25,560   | 512,410     |
| Year 3           | (127,308) | 20,218   | 405,319     |
| Year 4           | (131,127) | 14,395   | 288,587     |
| Year 5           | (135,061) | 8,060    | 161,586     |
| Year 6           | (139,113) | 1,180    | 23,653      |
| Year 7           | (143,286) | (6,281)  | (125,914)   |
| Year 8           | (147,585) | (14,359) | (287,857)   |
| Year 9           | (152,012) | (23,093) | (462,963)   |
| Year 10          | (156,573) | (32,526) | (652,061)   |
| Year 11          | (161,270) | (42,700) | (856,031)   |
| Year 12          | (166,108) | (53,662) | (1,075,801) |
| Year 13          | (171,091) | (65,462) | (1,312,355) |
| Year 14          | (176,224) | (78,150) | (1,566,729) |
| Year 15          | (181,511) | (91,783) | (1,840,022) |

| Rate             | 0.03      | 0.07      |             |
|------------------|-----------|-----------|-------------|
| Distribution     | Income    | Balance   |             |
| Beginning Amount |           |           | 700,000     |
| Year 1           | (120,000) | 40,600    | 620,600     |
| Year 2           | (123,600) | 34,790    | 531,790     |
| Year 3           | (127,308) | 28,314    | 432,796     |
| Year 4           | (131,127) | 21,117    | 322,785     |
| Year 5           | (135,061) | 13,141    | 200,865     |
| Year 6           | (139,113) | 4,323     | 66,075      |
| Year 7           | (143,286) | (5,405)   | (82,616)    |
| Year 8           | (147,585) | (16,114)  | (246,315)   |
| Year 9           | (152,012) | (27,883)  | (426,211)   |
| Year 10          | (156,573) | (40,795)  | (623,578)   |
| Year 11          | (161,270) | (54,939)  | (839,788)   |
| Year 12          | (166,108) | (70,413)  | (1,076,308) |
| Year 13          | (171,091) | (87,318)  | (1,334,718) |
| Year 14          | (176,224) | (105,766) | (1,616,708) |
| Year 15          | (181,511) | (125,875) | (1,924,094) |

| Rate             | 0.03     | 0.0525  |           |
|------------------|----------|---------|-----------|
| Distribution     | Income   | Balance |           |
| Beginning Amount |          |         | 700,000   |
| Year 1           | (60,000) | 33,600  | 673,600   |
| Year 2           | (61,800) | 32,120  | 643,920   |
| Year 3           | (63,654) | 30,464  | 610,729   |
| Year 4           | (65,564) | 28,621  | 573,787   |
| Year 5           | (67,531) | 26,578  | 532,835   |
| Year 6           | (69,556) | 24,322  | 487,601   |
| Year 7           | (71,643) | 21,838  | 437,795   |
| Year 8           | (73,792) | 19,110  | 383,113   |
| Year 9           | (76,006) | 16,123  | 323,230   |
| Year 10          | (78,286) | 12,860  | 257,803   |
| Year 11          | (80,635) | 9,301   | 186,469   |
| Year 12          | (83,054) | 5,429   | 108,845   |
| Year 13          | (85,546) | 1,223   | 24,522    |
| Year 14          | (88,112) | (3,338) | (66,928)  |
| Year 15          | (90,755) | (8,278) | (165,962) |

| Rate             | 0.03     | 0.07    |         |
|------------------|----------|---------|---------|
| Distribution     | Income   | Balance |         |
| Beginning Amount |          |         | 700,000 |
| Year 1           | (60,000) | 44,800  | 684,800 |
| Year 2           | (61,800) | 43,610  | 666,610 |
| Year 3           | (63,654) | 42,207  | 645,163 |
| Year 4           | (65,564) | 40,572  | 620,171 |
| Year 5           | (67,531) | 38,685  | 591,326 |
| Year 6           | (69,556) | 36,524  | 558,293 |
| Year 7           | (71,643) | 34,065  | 520,715 |
| Year 8           | (73,792) | 31,285  | 478,207 |
| Year 9           | (76,006) | 28,154  | 430,355 |
| Year 10          | (78,286) | 24,645  | 376,714 |
| Year 11          | (80,635) | 20,726  | 316,804 |
| Year 12          | (83,054) | 16,363  | 250,113 |
| Year 13          | (85,546) | 11,520  | 176,087 |
| Year 14          | (88,112) | 6,158   | 94,133  |
| Year 15          | (90,755) | 236     | 3,614   |

| Rate             | 0.03      | 0.0525   |             |
|------------------|-----------|----------|-------------|
| Distribution     | Income    | Balance  |             |
| Beginning Amount |           |          | 700,000     |
| Year 1           | (100,000) | 31,500   | 631,500     |
| Year 2           | (103,000) | 27,746   | 556,246     |
| Year 3           | (106,090) | 23,633   | 473,789     |
| Year 4           | (109,273) | 19,137   | 383,654     |
| Year 5           | (112,551) | 14,233   | 285,336     |
| Year 6           | (115,927) | 8,894    | 178,302     |
| Year 7           | (119,405) | 3,092    | 61,989      |
| Year 8           | (122,987) | (3,202)  | (64,200)    |
| Year 9           | (126,677) | (10,021) | (200,899)   |
| Year 10          | (130,477) | (17,397) | (348,773)   |
| Year 11          | (134,392) | (25,366) | (508,531)   |
| Year 12          | (138,423) | (33,965) | (680,919)   |
| Year 13          | (142,576) | (43,234) | (866,729)   |
| Year 14          | (146,853) | (53,213) | (1,066,795) |
| Year 15          | (151,259) | (63,948) | (1,282,002) |

| Rate             | 0.03      | 0.07     |             |
|------------------|-----------|----------|-------------|
| Distribution     | Income    | Balance  |             |
| Beginning Amount |           |          | 700,000     |
| Year 1           | (100,000) | 42,000   | 642,000     |
| Year 2           | (103,000) | 37,730   | 576,730     |
| Year 3           | (106,090) | 32,945   | 503,585     |
| Year 4           | (109,273) | 27,602   | 421,914     |
| Year 5           | (112,551) | 21,655   | 331,018     |
| Year 6           | (115,927) | 15,056   | 230,147     |
| Year 7           | (119,405) | 7,752    | 118,494     |
| Year 8           | (122,987) | (315)    | (4,808)     |
| Year 9           | (126,677) | (9,204)  | (140,689)   |
| Year 10          | (130,477) | (18,982) | (290,148)   |
| Year 11          | (134,392) | (29,718) | (454,257)   |
| Year 12          | (138,423) | (41,488) | (634,168)   |
| Year 13          | (142,576) | (54,372) | (831,116)   |
| Year 14          | (146,853) | (68,458) | (1,046,427) |
| Year 15          | (151,259) | (83,838) | (1,281,524) |

Working Capital Reserve Scenarios  
Balance of 1,000,000

|                  | Rate         | 0.03     | 0.0525      |  |
|------------------|--------------|----------|-------------|--|
|                  | Distribution | Income   | Balance     |  |
| Beginning Amount |              |          | 1,000,000   |  |
| Year 1           | (120,000)    | 46,200   | 926,200     |  |
| Year 2           | (123,600)    | 42,137   | 844,737     |  |
| Year 3           | (127,308)    | 37,665   | 755,093     |  |
| Year 4           | (131,127)    | 32,758   | 656,724     |  |
| Year 5           | (135,061)    | 27,387   | 549,051     |  |
| Year 6           | (139,113)    | 21,522   | 431,460     |  |
| Year 7           | (143,286)    | 15,129   | 303,302     |  |
| Year 8           | (147,585)    | 8,175    | 163,893     |  |
| Year 9           | (152,012)    | 624      | 12,504      |  |
| Year 10          | (156,573)    | (7,564)  | (151,632)   |  |
| Year 11          | (161,270)    | (16,427) | (329,330)   |  |
| Year 12          | (166,108)    | (26,010) | (521,448)   |  |
| Year 13          | (171,091)    | (36,358) | (728,898)   |  |
| Year 14          | (176,224)    | (47,519) | (952,641)   |  |
| Year 15          | (181,511)    | (59,543) | (1,193,695) |  |

|                  | Rate         | 0.03     | 0.07        |  |
|------------------|--------------|----------|-------------|--|
|                  | Distribution | Income   | Balance     |  |
| Beginning Amount |              |          | 1,000,000   |  |
| Year 1           | (120,000)    | 61,600   | 941,600     |  |
| Year 2           | (123,600)    | 57,260   | 875,260     |  |
| Year 3           | (127,308)    | 52,357   | 800,309     |  |
| Year 4           | (131,127)    | 46,843   | 716,024     |  |
| Year 5           | (135,061)    | 40,667   | 621,630     |  |
| Year 6           | (139,113)    | 33,776   | 516,294     |  |
| Year 7           | (143,286)    | 26,111   | 399,118     |  |
| Year 8           | (147,585)    | 17,607   | 269,141     |  |
| Year 9           | (152,012)    | 8,199    | 125,327     |  |
| Year 10          | (156,573)    | (2,187)  | (33,433)    |  |
| Year 11          | (161,270)    | (13,629) | (208,332)   |  |
| Year 12          | (166,108)    | (26,211) | (400,651)   |  |
| Year 13          | (171,091)    | (40,022) | (611,764)   |  |
| Year 14          | (176,224)    | (55,159) | (843,147)   |  |
| Year 15          | (181,511)    | (71,726) | (1,096,384) |  |

|                  | Rate         | 0.03   | 0.0525    |  |
|------------------|--------------|--------|-----------|--|
|                  | Distribution | Income | Balance   |  |
| Beginning Amount |              |        | 1,000,000 |  |
| Year 1           | (60,000)     | 49,350 | 989,350   |  |
| Year 2           | (61,800)     | 48,696 | 976,246   |  |
| Year 3           | (63,654)     | 47,911 | 960,503   |  |
| Year 4           | (65,564)     | 46,984 | 941,924   |  |
| Year 5           | (67,531)     | 45,906 | 920,299   |  |
| Year 6           | (69,556)     | 44,664 | 895,407   |  |
| Year 7           | (71,643)     | 43,248 | 867,011   |  |
| Year 8           | (73,792)     | 41,644 | 834,863   |  |
| Year 9           | (76,006)     | 39,840 | 798,697   |  |
| Year 10          | (78,286)     | 37,822 | 758,232   |  |
| Year 11          | (80,635)     | 35,574 | 713,171   |  |
| Year 12          | (83,054)     | 33,081 | 663,198   |  |
| Year 13          | (85,546)     | 30,327 | 607,979   |  |
| Year 14          | (88,112)     | 27,293 | 547,160   |  |
| Year 15          | (90,755)     | 23,961 | 480,366   |  |

|                  | Rate         | 0.03   | 0.07      |  |
|------------------|--------------|--------|-----------|--|
|                  | Distribution | Income | Balance   |  |
| Beginning Amount |              |        | 1,000,000 |  |
| Year 1           | (60,000)     | 65,800 | 1,005,800 |  |
| Year 2           | (61,800)     | 66,080 | 1,010,080 |  |
| Year 3           | (63,654)     | 66,250 | 1,012,676 |  |
| Year 4           | (65,564)     | 66,298 | 1,013,410 |  |
| Year 5           | (67,531)     | 66,212 | 1,012,091 |  |
| Year 6           | (69,556)     | 65,977 | 1,008,512 |  |
| Year 7           | (71,643)     | 65,581 | 1,002,450 |  |
| Year 8           | (73,792)     | 65,006 | 993,663   |  |
| Year 9           | (76,006)     | 64,236 | 981,893   |  |
| Year 10          | (78,286)     | 63,252 | 966,859   |  |
| Year 11          | (80,635)     | 62,036 | 948,260   |  |
| Year 12          | (83,054)     | 60,564 | 925,770   |  |
| Year 13          | (85,546)     | 58,816 | 899,040   |  |
| Year 14          | (88,112)     | 56,765 | 867,693   |  |
| Year 15          | (90,755)     | 54,386 | 831,324   |  |

|                  | Rate         | 0.03     | 0.0525    |  |
|------------------|--------------|----------|-----------|--|
|                  | Distribution | Income   | Balance   |  |
| Beginning Amount |              |          | 1,000,000 |  |
| Year 1           | (100,000)    | 47,250   | 947,250   |  |
| Year 2           | (103,000)    | 44,323   | 888,573   |  |
| Year 3           | (106,090)    | 41,080   | 823,563   |  |
| Year 4           | (109,273)    | 37,500   | 751,791   |  |
| Year 5           | (112,551)    | 33,560   | 672,800   |  |
| Year 6           | (115,927)    | 29,236   | 586,109   |  |
| Year 7           | (119,405)    | 24,502   | 491,205   |  |
| Year 8           | (122,987)    | 19,331   | 387,549   |  |
| Year 9           | (126,677)    | 13,696   | 274,568   |  |
| Year 10          | (130,477)    | 7,565    | 151,656   |  |
| Year 11          | (134,392)    | 906      | 18,170    |  |
| Year 12          | (138,423)    | (6,313)  | (126,566) |  |
| Year 13          | (142,576)    | (14,130) | (283,272) |  |
| Year 14          | (146,853)    | (22,582) | (452,707) |  |
| Year 15          | (151,259)    | (31,708) | (635,674) |  |

|                  | Rate         | 0.03     | 0.07      |  |
|------------------|--------------|----------|-----------|--|
|                  | Distribution | Income   | Balance   |  |
| Beginning Amount |              |          | 1,000,000 |  |
| Year 1           | (100,000)    | 63,000   | 963,000   |  |
| Year 2           | (103,000)    | 60,200   | 920,200   |  |
| Year 3           | (106,090)    | 56,988   | 871,098   |  |
| Year 4           | (109,273)    | 53,328   | 815,153   |  |
| Year 5           | (112,551)    | 49,182   | 751,784   |  |
| Year 6           | (115,927)    | 44,510   | 680,367   |  |
| Year 7           | (119,405)    | 39,267   | 600,229   |  |
| Year 8           | (122,987)    | 33,407   | 510,648   |  |
| Year 9           | (126,677)    | 26,878   | 410,849   |  |
| Year 10          | (130,477)    | 19,626   | 299,998   |  |
| Year 11          | (134,392)    | 11,592   | 177,199   |  |
| Year 12          | (138,423)    | 2,714    | 41,489    |  |
| Year 13          | (142,576)    | (7,076)  | (108,163) |  |
| Year 14          | (146,853)    | (17,851) | (272,867) |  |
| Year 15          | (151,259)    | (29,689) | (453,815) |  |

# Working Capital Reserve Scenarios

Balance of 1,000,000

Expense of \$60,000

| Rate             | 0.03      | 0.0525    |
|------------------|-----------|-----------|
| Distribution     | Income    | Balance   |
| Beginning Amount |           | 1,000,000 |
| Year 1           | (60,000)  | 49,350    |
| Year 2           | (61,800)  | 48,696    |
| Year 3           | (63,654)  | 47,911    |
| Year 4           | (65,564)  | 46,984    |
| Year 5           | (67,531)  | 45,906    |
| Year 6           | (69,556)  | 44,664    |
| Year 7           | (71,643)  | 43,248    |
| Year 8           | (73,792)  | 41,644    |
| Year 9           | (76,006)  | 39,840    |
| Year 10          | (78,286)  | 37,822    |
| Year 11          | (80,635)  | 35,574    |
| Year 12          | (83,054)  | 33,081    |
| Year 13          | (85,546)  | 30,327    |
| Year 14          | (88,112)  | 27,293    |
| Year 15          | (90,755)  | 23,961    |
| Year 16          | (93,478)  | 20,312    |
| Year 17          | (96,282)  | 16,323    |
| Year 18          | (99,171)  | 11,974    |
| Year 19          | (102,146) | 7,240     |
| Year 20          | (105,210) | 2,096     |
| Year 21          | (108,367) | (3,483)   |
|                  | (111,618) | (9,526)   |
|                  | (114,966) | (16,062)  |
|                  | (118,415) | (23,122)  |
|                  | (121,968) | (30,739)  |
|                  | (125,627) | (38,948)  |
|                  | (129,395) | (47,786)  |
|                  | (133,277) | (57,292)  |
|                  | (137,276) | (67,507)  |
|                  | (141,394) | (78,474)  |
|                  | (145,636) | (90,240)  |
|                  | (150,005) | (102,853) |
|                  | (154,505) | (116,364) |
|                  | (159,140) | (130,828) |
|                  | (163,914) | (146,302) |
|                  | (168,832) | (162,846) |
|                  | (173,897) | (180,525) |

| Rate             | 0.03      | 0.07      |
|------------------|-----------|-----------|
| Distribution     | Income    | Balance   |
| Beginning Amount |           | 1,000,000 |
| Year 1           | (60,000)  | 65,800    |
| Year 2           | (61,800)  | 66,080    |
| Year 3           | (63,654)  | 66,250    |
| Year 4           | (65,564)  | 66,298    |
| Year 5           | (67,531)  | 66,212    |
| Year 6           | (69,556)  | 65,977    |
| Year 7           | (71,643)  | 65,581    |
| Year 8           | (73,792)  | 65,006    |
| Year 9           | (76,006)  | 64,236    |
| Year 10          | (78,286)  | 63,252    |
| Year 11          | (80,635)  | 62,036    |
| Year 12          | (83,054)  | 60,564    |
| Year 13          | (85,546)  | 58,816    |
| Year 14          | (88,112)  | 56,765    |
| Year 15          | (90,755)  | 54,386    |
| Year 16          | (93,478)  | 51,649    |
| Year 17          | (96,282)  | 48,525    |
| Year 18          | (99,171)  | 44,980    |
| Year 19          | (102,146) | 40,978    |
| Year 20          | (105,210) | 36,482    |
| Year 21          | (108,367) | 31,450    |
| Year 22          | (111,618) | 25,838    |
| Year 23          | (114,966) | 19,599    |
| Year 24          | (118,415) | 12,682    |
| Year 25          | (121,968) | 5,032     |
| Year 26          | (125,627) | (3,410)   |
|                  | (129,395) | (12,706)  |
|                  | (133,277) | (22,925)  |
|                  | (137,276) | (34,139)  |
|                  | (141,394) | (46,426)  |
|                  | (145,636) | (59,871)  |
|                  | (150,005) | (74,562)  |
|                  | (154,505) | (90,597)  |
|                  | (159,140) | (108,078) |
|                  | (163,914) | (127,118) |
|                  | (168,832) | (147,834) |
|                  | (173,897) | (170,355) |

League of Women Voters of Minnesota Education Fund  
Minnesota Women's Building  
550 Rice Street, St. Paul 55103 651/224/5445

### **Investment Committee Meeting**

**Thursday, June 1, 2006, 12:30 p.m.**

(If you wish, bring a brown bag lunch or pick up lunch at Lagoon or El Bravo,  
both located on Rice Street just south of the League office.)

*P 3 brochures*

#### **Agenda**

Welcome and introductions : *Bio for Board for new members*

Update LWVMN and LWVMNEF accounts

Report on call to MN Council of Nonprofits

Review documents/strategy developed by previous Investment Committee

Attached: Minutes of May 18 meeting



League of Women Voters of Minnesota Education Fund  
Investment Committee Meeting, May 18, 2006 Minutes

**Present:** Carol Frisch, Kay Erickson, chair.  
Ex officio: Helen Palmer, Connie Hondl, Sally Sawyer

**Minutes of April 18 meeting:** Corrected for spelling

**Review of Documents/Strategy of previous Investment Committee:** Began discussing the Membership, Role and Charge of the Investment Committee.

Under the "Role" of the Investment Manager, suggested that in order to keep our options open, to change the sentence to: **Any** Investment Manager **engaged by the League of Women Voters** will be delegated discretion with respect to investment decisions as long as they adhere to the general guidelines established by the Committee with Board Approval.

Suggested that under Committee "Charge," the second sentence should read: **The committee may** select, monitor, and if necessary, replace a professional investment manager who will work with the Committee to develop an investment strategy and a method of operation.

In further discussion of the pros and cons of hiring an investment manager we decided to contact the Council of Nonprofits about the following issues: 1. Strategy for investment policies for nonprofits. 2. Conflict of interest statement (covering the committee and/or the board) regarding investing. 3. Appropriate costs of investment management. 4. How to select a manager. Does the hiring of an investment firm/manager require board approval? Kay will contact Marcia Avner.

**Next meeting:** We talked about trying to set a regular meeting date and time. We've been meeting on Thursday's at 11:30 a.m. – 1 p.m. The second Thursday doesn't work for Sally. Do the first, third or fourth Thursday's for folks? How about June 22 at 11:30?





LEAGUE OF  
WOMEN VOTERS®  
MINNESOTA EDUCATION FUND

550 RICE STREET ST. PAUL, MN 55103 PHONE (651) 224-5445 FAX (651) 290-2145 www.lwvmn.org

**PRESIDENT**

Helen Palmer

**ADVISORY BOARD**

Mary Brainerd  
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Archie Givens, Jr.  
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African American Literature

Isabel Gomez

Josie R. Johnson  
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Anne Knapp  
Executive Vice President  
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Peggy Lucas  
Partner  
Brighton Development Corp.

Laura McCarten  
Director, Community Services  
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Yusef Mgeni  
Director, Office of Educational Equity  
Saint Paul Public Schools

Vivian Jenkins Nelsen  
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INTER-RACE:  
International Institute for  
Interracial Interactions

Valerie Pace  
State Manager, Corporate Community  
Relations and Public Affairs  
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Colleen Reitan  
Senior Vice President  
Blue Cross Blue Shield of Minnesota

Susan Sands  
Owner  
S & B Properties

G. Edward Schuh  
Regents Professor  
Hubert H. Humphrey  
Institute of Public Affairs  
University of Minnesota

Laura Waterman Wittstock  
MIGIZI Communications, Inc.

May 24, 2006

Janet Flack  
Merrill Lynch  
The Flack Team  
4041 28<sup>th</sup> Street NW, Ste. 100  
Rochester, MN 55901

Dear Ms. Flack:

The League of Women Voters of Minnesota Education Fund has invited you to consider serving as a member of its Investment Committee. We understand that, should you be accepted as a member of the Committee, you would be a member under your own volition and would in no way be representing Merrill Lynch.

We hope that it will be possible for you to join the Investment Committee.

Sincerely,

*Sally Sawyer*  
Sally Sawyer  
Executive Director

*Sent 6/1/06*



LEAGUE OF  
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550 RICE STREET ST. PAUL, MN 55103 PHONE (651) 224- 5445 FAX (651) 290-2145 www.lwvmn.org

*Sent 6/1/06*

**PRESIDENT**  
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Janet Flack  
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4041 28<sup>th</sup> Street NW, Ste. 100  
Rochester, MN 55901

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We hope that it will be possible for you to join the Investment Committee.

Sincerely,

*Sally Sawyer*

Sally Sawyer  
Executive Director

**Sally Sawyer**

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**From:** Flack, Janet (ROCHESTER, MN) [janet\_flack@ml.com]  
**Sent:** Wednesday, May 24, 2006 2:28 PM  
**To:** ssawyer@lwvmn.org  
**Subject:** Per our conversation

Sally,

I have been asked to submit a letter from the League to my compliance department that acknowledges that you are aware that I would be a member of the committee under my own volition and would in no way be representing Merrill Lynch if I were to be accepted as a member of the committee.

Thank you very much.

**Janet L. Flack, CFM, CIMA**  
Assistant Vice President  
Wealth Management Advisor



**Merrill Lynch**  
**The Flack Team**  
4041 28th Street NW, Ste. 100  
Rochester, MN 55901  
**Toll Free 877-637-6725**  
**Fax 507-281-6723**  
**Janet\_Flack@ml.com**

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League of Women Voters of Minnesota  
Minnesota Women's Building  
550 Rice Street, St. Paul 55103 651/224/5445

### **Investment Committee Meeting**

**Thursday, May 18, 2006**  
**12:00 Noon, Small Conference Room (basement)**

(If you wish, bring a brown bag lunch or pick up lunch at Lagoon or El Bravo,  
both located on Rice Street just south of the League office.)

### **Agenda**

Welcome and introductions.

Update LWVMN and LWVMNEF accounts.

Review documents/strategy developed by previous Investment Committee.

Attached: Minutes of April 18 meeting

## **League of Women Voters of Minnesota Investment Committee Meeting April 18, 2006 Minutes**

### **Present:**

Chair, Kay Erickson, Carol Frisch

Ex officio: Helen Palmer, Sally Sawyer, Connie Hondl

### **Review of Funds:**

Sawyer reviewed League funds. The permanent endowment is composed of gifts made to the League over the last 15 years or so. We had made the decision to accumulate the interest with the principle until \$100,000 was reached. That fund has over \$90,000.

From the P 3\* campaign we have \$340,000: \$100,000 in six-month CD's at three banks with rates of 4.85 on two accounts and 4.8 on one account and \$40,000 in a money market account at Piper Jaffray. In addition we have \$119,000 in a different money market account for a total of about \$460,000.

There will be a further distribution of the funds from the Power of 3 campaign to pay final building bills to the Consortium and to the League. The undistributed P 3 account is over \$600,000 and pledges will continue to come in. We currently have about \$60,000 remaining in our "bridge" funds from the Power of 3.

### **Committee Membership and Role:**

The previous Investment Committee had five persons, with a requirement that a majority be League members and at least two have professional investment experience. Palmer as president, Sawyer as executive director and Hondl as treasurer serve as ex officio members of the committee. **Recommendation:** Recruit three new members to reach a total of eight persons (five members and three ex officio), meet three-four times a year after the initial meetings to get started, suggest a two year commitment with staggered terms.

**Review of Policies:** Began to review Investment Funds Policies. **Recommendation:** To increase the Operating Reserve Fund from \$45,000 to \$75,000.

### **Action:**

Hondl will call Amy Alvero, Palmer will call her neighbor Chris Hansen and Erickson will call Judy Duffy who suggested Janet Flack. Palmer will report to Board that we have met and are recruiting new members.

**Next meeting:** Thursday, May 18 at 12 noon in the Small Conference Room of the MN Women's Building (bring own brown bag lunch or pick up lunch from Lagoon or El Bravo restaurant just down the street from the Women's Building.)

\*P 3 : The Power of Three Campaign is a joint effort of the League of Women Voters of Minnesota Education Fund, The Minnesota Women's Consortium and the MN Women's Building. The campaign has reached its stated goal of \$3.2 million, but we need to continue to raise additional funds because \$710,000 is in an annuity dedicated to the Consortium.

League of Women Voters of Minnesota Education Fund  
550 Rice Street, St. Paul 55103 651/224/5445

### **Investment Committee Meeting**

**August 1, 2006, 8:30 a.m.**  
**At Amy Alvero's, 5606 Sherwood Avenue**  
**Edina, MN 55424**

**Phone: 952/920-0820**

### **Agenda**

Welcome and introductions

Approve minutes

Reports: Amy, Sally, Carol, Kay, Janet

Goals and Strategy of investment policy

Attached:

Minutes of June 29 meeting

List of committee members

Forwarded:

P3 Grant Request

FYI: You can check out the MN Council of Nonprofits' Conflict of Interest Statement on their website at [www.mncn.org](http://www.mncn.org).

Directions from the intersection of Hwy. 100 and 50<sup>th</sup> St. (by the Edina City Hall and Police Station): From 50<sup>th</sup> St. head south on the frontage road on the east side of Hwy. 100. Turn left (east) on Wind Ave. Wind is the second street on the left and is only one block long. Make a right U turn into Amy's driveway on the corner of Wind and Sherwood (gray house with dormers and white trellis across the front). Park in the driveway or in front of the house on Sherwood.

*St. Dennis Lane*



**League of Women Voters of Minnesota Education Fund  
Investment Committee Meeting Minutes     June 29, 2006**

**Present:** Amy Alvero, Carol Frisch, Chris Hansen, Kay Erickson, chair  
Ex officio: Connie Hondl, Sally Sawyer

**Welcome and introductions.** We met at Amy's house in Edina. Chris Hansen joined the committee.

**Approved the minutes** of the June 1<sup>st</sup> meeting.

**Board report:** The board approved the establishment of the committee and the members we have so far. Stacy Doepner-Hove would like for the committee to have bylaws and regular reports to the board. Erickson will contact her to determine what bylaws she has in mind.

**Update of LWVMN & EF expenses:** At the June 1 meeting we discussed the need to know what kind of income the LWV was expecting from P3 funds. One of the P3 campaign goals was to provide funding to make up for the fluctuations in our income stream, thus providing income stability. Connie reviewed how the League determined the amount we would need: At the beginning of the campaign in 2002, it was determined that we needed to have on the average \$61,000 per year to cover the forecasted budget shortfalls until 2008 when all of the pledges would be paid. This was called the "bridge fund" and totaled \$370,000. Connie handed out a list of how the funds have been disbursed. That \$61,000 per year figure was used to determine that we needed \$1.2 million to yield about \$60,000 per year after the campaign. So far, the League has drawn more than \$60,000 from P3 funds each year of the campaign.

**Discussion:** The discussion at this meeting centered on these questions: Do we need more than \$60,000 each year? Do we change our fundamental strategy which has been to preserve the principal? (If the League needs \$120,000 per year then we would have to dip into the principal which would, over time, deplete the funds completely.) Do we need to hire a professional to manage the funds? If we do, what kind of financial strategy we want to pursue? Are we more comfortable with our funds in "many pots" or a few? What is our risk tolerance? We also need to define the role and charge of the committee, the League's risk tolerance and develop a conflict of interest statement for board approval.

Connie and Sally will check around to compare the best rates for money market accounts and CD's and will email the committee with the options.

**Action items:**

Amy will explore the fee structure of some investment firms and work on a statement of risk tolerance

Connie will check the different rates of money market funds and compare those rates with rates for CD's.

Sally will talk to the national League about investing.

Carol will talk to the Presbyterian Church

Kay will: 1) contact Stacy Doepner-Hove about bylaws, 2) review "Creating and Using Investment Policies, a Guide for Nonprofit Boards," by Robert Fry.

**Next Meeting:** August 1, 8:30 a.m. at Amy Alvero's home.

## Sally Sawyer

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**From:** Kay Erickson [kerickson@visi.com]  
**Sent:** Thursday, July 20, 2006 4:48 PM  
**To:** Janet Flack; Sally Sawyer; Helen Palmer; Connie Hondl; Carol Frisch; Amy Alvero; Chris Hansen  
**Subject:** Fw: P3

----- Original Message -----

**From:** Heidi Losinski  
**To:** kerickson@visi.com  
**Sent:** Wednesday, July 19, 2006 10:56 AM  
**Subject:** P3

**B. POWER of 3 Campaign Component 2: INVESTMENT IN THE PROGRAM STRENGTH AND FINANCIAL STABILITY OF THE LEAGUE OF WOMEN VOTERS MINNESOTA EDUCATION FUND (LWVMNEF) –\$1,606,000**

**LWVMNEF capital request of the Bush Foundation: Computers, hardware and software: \$40,290.**

***Situation and Specific Activities:***

LWVMNEF programs and services described in section I, are growing through both demand and opportunity. With each new project, the League begins connecting with new or previously under-represented communities. To maintain these ties and to capitalize on these tremendous opportunities, greater resources—financial, human and technological—are urgently needed:

***1. Technology Needs***

Technology demands are growing beyond current capacity. Minnesota citizens rely increasingly on the League's web site and D-Net for unbiased information on candidates and public policy issues, links to candidates' and other web-sites, a calendar of local election-related events, voter registration instructions and Election Day information. The need for upgraded technology to conduct research, compile data and communicate with local Leagues increases monthly. However, current IT functions – now provided by a dedicated volunteer – no longer meet the multiple needs for consistent, reliable and up-to-date technology services. This should be a professional paid staff position. To continue its mission the League must strengthen and expand its online presence through its website that provides voter registration, ballot information, non-partisan candidate information links to government and public policy sites and the most current League projects and public policy issues.

Support is requested for purchase and installation of efficient, current technology systems, software and related training. The LWVMNEF computer environment is a linked system or Local Area Network (LAN) operating from a server. As previously described this system is coming to the end of its useful life. Except for the office manager's computer, LWVMNEF computers are 8-year old "hand-me-downs". All but one runs at 167 MHz, with the one running at 199 MHz, which is very slow, compared to today's standard of 1 to 2 GHz and beyond. They have between 32 and 104 Mg of memory, with most at 48 or 64. They are all running Windows 98 software that has been layered over the original operating system. The current file server is a stopgap machine that was installed in an emergency when the previous file server "died". It is only intended to run for a year or so.

There are nine linked PCs and one freestanding computer as well as a laptop that is used for meetings. Volunteers and employees using computers on a daily basis are:

Office Administrator  
 Executive Director  
 Director of Development  
 Webmaster and Database Manager (volunteer at present)  
 President (volunteer)  
 Outreach Coordinator (ten hours per week)  
 Bookkeepers for LWVMN and LWVMNEF (share one computer)  
 Legislative Coordinator (share computer)  
 Annual Appeal Coordinator (share computer)

Project Directors and volunteers use PCs as available and depending on the season.

In order to address current conditions and determine needs, an experienced technology consultant needs to be hired to design and manage the League's growing technology functions and develop a database application to track and maintain membership and development information. Additional staffing needs include a web master to maintain LWVMNEF's web site. The current webmaster and IT advisor is a dedicated volunteer with a full-time job elsewhere who devotes major parts of her evenings and weekends to LWVMNEF. She has recently redesigned the web site for improved appearance and ease of use. The League cannot expect that this kind of volunteer service will continue indefinitely. The new web site and web master will support expanding public policy research and field service, in part through 24-hour statewide access to LWVMNEF information and two-way input capability.

The attached list of LWVMNEF Technology Requirements was prepared by volunteers Adrienne Wickstrom, LWVMN Webmaster and software consultant at Fair Isaac of Arden Hills, and Diane Gibson, Director of Global Planning, Supply Chain, and Inventory at Silicon Graphics.

Additional aspects of the LWVMNEF component of the *POWER of 3 Campaign* that are not included in this capital request of the Bush Foundation are:

2. *Support for 42 Local Minnesota Leagues*

The forty-two volunteer-driven local League of Women Voters organizations across Minnesota provide voter services, citizen education and outreach activities for their communities. As with many other community organizations, the demands of our changing communities and the balancing required to meet challenges from the home and workplace, have led to fewer volunteers with less time to spend. A full-time outreach coordinator needs to be hired to better support local League voter education and outreach activities; improve statewide communications; and assist local Leagues in expanding membership and diversity. A new web master could provide technical assistance to local Leagues, including help with creating or updating their own web sites to provide residents with electronic information on candidates and local government.

3. *Income Stability*

During election years, program and contributed income are strong, but in off-election years, decreased visibility erodes income while ongoing program expenses remain fixed. The result is a perennial "saw-toothed" income pattern. Projected over several years, these cash flow fluctuations are estimated to produce an annual shortfall averaging approximately \$61,000. Of the LWVMNEF's \$1,606,000 total financial objective, \$370,600 will support implementation of the above goals and provide budget equilibrium while the full working capital fund is raised. The balance of \$1,235,400 will be invested as a working capital fund to support LWVMNEF programs and operations well into the future.

***Impact of Activities:***

The attached LWVMNEF Technology List was developed to select computers that have enough power

to last for many years, but not top-of-the-line. They can all be networked. The list does not include wireless technology, as the current network is working well. The option exists of going to wireless in the future, but with technology changing so rapidly in this area, LWVMNEF would choose to wait until there is more standardization. It will be important to be sure that appropriate wiring is included in the building renovation.

The computers on the list are preloaded with Microsoft XP Professional, which is required for networking. Except for the specialty software, all would be loaded with the latest version of Microsoft Office Professional and would have the latest anti-virus software. The color laser printer would allow for printing many things in-house that are currently printed outside. Laptops, camera and projector would be used for offsite workshops and presentations.

#### **IV Capital Campaign information**

The *POWER of 3 Campaign* was approved by the Minnesota Women's Building Partnership on September 11, 2001 and by the Boards of Directors of the LWVMNEF and MWC on November 10, 2001 and June 19, 2002 respectively. Campaign planning began in spring 2002. Initial solicitations for contributions were made in late 2002. Target completion date for building renovation and for acquisition of technology purchases and installation is 2005. The completion date of fundraising for the entire *POWER of 3 Campaign* is expected to be December 2005. However some grants may not be paid in full until 2008, due to many 5-year pledges to the campaign.

#### **Total Financial Needs**

The total financial goal for capital needs of the *POWER of 3 Campaign* is \$1,059,224, as outlined in the attached *POWER of 3 Campaign Capital Budget*. The overall *POWER of Three Campaign* goal is \$3,200,000. In addition to the three component needs outlined in this proposal, the costs of the capital and capacity building campaign over a three period are \$200,000.

The building component of the Power of 3 Campaign is for renovation of a building owned by the Minnesota Women's Building Partnership. The Partnership is not a tax-exempt organization but rather a partnership of the LWVMNEF and the MWC. Each of the two partners, however, is a 501(c)(3) nonprofit organization. The LWVMNEF is the fiscal agent for the campaign. No additional land or building purchase is included. Renovation construction is estimated to begin in spring 2004.

**Budget** – see the attached *POWER of 3 Campaign Capital Budget*, the outline of Financial Needs of the *POWER of 3 Campaign*, Flannery Construction's projected construction costs, technology costs for LWVMNEF and MWC, and projected operating budgets for the LWVMNEF and for the MWC. The building renovation costs are based on estimates obtained from professionals in the field. Firm bids have not yet been finalized.

#### **Fund raising plan**

Preparation of the *POWER of 3* fund raising plan and timeline was directed by campaign consultant Andy Currie, in consultation with Campaign Chair Beverly McKinnell, directors and staff of MWC and LWVMNEF and former campaign director Christine Gregory. In May 2003 Jean Tews replaced Ms. Gregory as campaign director. See attached listing of *Responsibilities of POWER of 3 Campaign Staff and Project Leadership*.

Fund raising status



As of October 21, 2003, the overall *POWER of 3 Campaign* has received \$981,546 in gifts and pledges, including \$500,000 from members of LWVMNEF and MWC governing boards and campaign steering committee members. Within the total campaign gifts to date, the capital needs of the Campaign, as of October 21, 2003, have received \$479,000, or 45% of the total capital budgets.

*Foundation grants and pledges to date*

St. Paul Foundation, designated for the building renovation (\$50,000)  
Otto Bremer Foundation, designated for the building renovation (\$20,000)  
Medtronic Foundation, designated for LWVMNEF component (\$30,000)  
Target Foundation, for overall Campaign support (\$25,000)

Grant requests pending:

Andersen Foundation (\$250,000)  
Mardag Foundation (\$100,000)  
F.R. Bigelow Foundation (\$200,000)  
Katherine B. Andersen Fund of the Saint Paul Foundation (\$200,000)  
Hugh J. Andersen Foundation (\$50,000)  
Western Bank (\$25,000)  
Athwin Foundation (LWV) \$25,000  
Jay and Rose Phillips Family Foundation (MWC) \$33,360

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Heidi Losinski  
LWVMN Development Director  
hlosinski@lwvmn.org  
651-224-5445 ext. 222



Center for Non Profit  
Bonds

Creating & Using Investment  
Policies:

League of Women Voters of Minnesota Education Fund  
550 Rice Street, St. Paul 55103 651/224/5445

a Guide for

Non-profit  
Bds

by Robert Fry,  
Jr.

Investment Committee Meeting

Thursday, June 29, 2006, 8 a.m.

At Amy Alvero's, 5606 Sherwood Avenue  
Edina, MN 55424

Directions:

Phone: 952/9200820

- Inves  
- Conflict of interest

Agenda

Welcome and introductions

Approve minutes

Update LWVMN and LWVMNEF expenses

Conflict of interest statement

Review documents/strategy developed by previous Investment Committee

Attached: Minutes of June 1 meeting

Risk tolerance  
policy?

- Council nonprofits

- Bremer

- Duffey-Salley

(who are  
they w/hg  
w.th)

start with  $\Rightarrow$  Joan Higginbotham

- Bd approve rule and change
- policies include risk tolerance policy

\* Call around to different places & see about  
different rates - \$200,000 - reduced fee  
for nonprofits?

- ING

-

League of Women Voters of Minnesota Education Fund  
Investment Committee Meeting Minutes June 1, 2006

**Present:** Amy Alvero, Carol Frisch, Chris Hansen, Kay Erickson, chair  
Ex officio: Connie Hondl, Sawyer

**Welcome and Introductions:** We were reminded that the Board must approve us as members of this committee. Sally will need short biographies from each of us (3-4 sentences) by June 21 in order to include them in the board packet. We will also submit a short summary of our activity so far. We hope to add one more person to the committee.

**Update LWVMN and LWVMNEF accounts:**

In LWVMNEF we have:

Working Capital Reserve -- \$510,000:

\$400,000 (in four 6-month \$100,000 certificates of deposit that act as our working capital reserve (not restricted))

\$50,000 + in Bridge Funds from P3

\$60,000 (in a money market account)

Permanent endowment (donor directed, restricted):

\$94,772 (in five MN and EF certificates of deposit)

In LWVMN we have:

In four savings accounts: \$6,807

We want to earn \$60,000 in cash per year from our investments to bridge the gap between when the funding comes in and expenses that have to be paid. At our next meeting we will discuss expenses of the League and the building to better understand our funding needs.

The P3 campaign is still receiving pledges. We have received \$2,574,405 of \$3,568,981 pledged. We continue to raise funds to reach our revised goal of \$3.9 million. Eventually we hope to have \$1 million to invest.

**MN Council of Nonprofits:** Have call in to them but haven't heard back. We are looking for a sample conflict of interest statement and any other information they have on nonprofit investing. Erickson will report back next meeting.

**Document Review:** Suggestion: to make the mission statements consistent with mission statements in other documents.

**Next meeting:** June 29, 8 a.m., at a location in Minneapolis to be determined.

## Sally Sawyer

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**From:** Kay Erickson [kerickson@visi.com]  
**Sent:** Tuesday, June 20, 2006 1:32 PM  
**To:** Sally Sawyer; Helen Palmer; Connie Hondl; Carol Frisch; Amy Alvero; Chris Hansen  
**Subject:** Fw: Meeting on 6/29

----- Original Message -----

**From:** Amy or Gumer  
**To:** Kay Erickson  
**Sent:** Monday, June 19, 2006 7:18 AM  
**Subject:** Meeting on 6/29

Kay, meeting at my house on Thursday, June 29th at 8:00 will work well for me. However, I do need to be out the door by 9:30 to get the kids to their activities for the morning. If we are not yet done with out meeting, the rest of you can feel free to wrap up after I leave. Just simply shut the front door on your way out. I could be back again by about 10:00 if the agenda goes on long enough.

My information is: 5606 Sherwood Ave, Edina (952) 920-0280. We are located one block east of Hwy 100 between 50th Street and Crosstown. We are in a group of streets sandwiched between Edina Country Club and the Community Center (aka, the old Edina High School). The easiest way to give directions is to start from the intersection of Hwy 100 and 50th Street - by the Edina City Hall and Police Station.

From 50th Street, head south on the frontage road on the east side of Hwy 100. Turn left (east) on Wind Ave. Wind is the second street on the left and is only one block long. Make a right U turn into my driveway. We are on the corner of Wind and Sherwood - a gray house with dormers and a white trellis across the front.

Feel free to park in the driveway (I will have my car pulled out already so that we can leave when we need to) or in front of my house on Sherwood.

Please let me know if this will work for you. Thanks!

Gumer or Amy Alvero  
[aalvero@mn.rr.com](mailto:aalvero@mn.rr.com)

League of Women Voters of Minnesota Education Fund  
Investment Committee Meeting Minutes June 1, 2006

**Present:** Amy Alvero, Carol Frisch, Chris Hansen, Kay Erickson, chair  
Ex officio: Connie Hondl, Sawyer

**Welcome and Introductions:** We were reminded that the Board must approve us as members of this committee. Sally will need short biographies from each of us (3-4 sentences) by June 21 in order to include them in the board packet. We will also submit a short summary of our activity so far. We hope to add one more person to the committee.

**Update LWVMN and LWVMNEF accounts:**

In LWVMNEF we have:

Working Capital Reserve:

Four 6-month \$100,000 certificates of deposit that act as our  
working capital reserve (not restricted)

An additional \$50,000 + in Bridge Funds from P3

Permanent endowment (donor directed, restricted):

\$94,772 (in five MN and EF certificates of deposit)

In LWVMN we have:

In four savings accounts: \$6,807

We want to earn \$60,000 in cash per year from our investments to bridge the gap between when the funding comes in and expenses that have to be paid. Next meeting we will discuss expenses of the League and the building to better understand our funding needs.

The P3 campaign is still receiving pledges. We have received \$2,574,405 of \$3,568,981 pledged. We continue to raise funds to reach our revised goal of \$3.9 million. Eventually we hope to have \$1 million to invest.

**MN Council of Nonprofits:** Have call in to them but haven't heard back. We are looking for a sample conflict of interest statement and any other information they have on nonprofit investing. Erickson will report back next meeting.

**Document Review:** Suggestion: to make the mission statements consistent with mission statements in other documents.

**Next meeting:** June 29, 8 a.m., at a location in Minneapolis to be determined.

| Date by Month | Date by Day                     | Room         | Begin Time | End Time | Organizatio   | Set-ups |
|---------------|---------------------------------|--------------|------------|----------|---------------|---------|
|               | <i>Tuesday, June 20, 2006</i>   | Large        | 10:00 AM   | 12:00 PM | PR/Communi    |         |
|               |                                 |              | 5:45 PM    | 8:00 PM  | Melpanene     |         |
|               | <i>Wednesday, June 21, 2006</i> | Large        | 9:00 AM    | 11:00 AM | Voter Service |         |
|               |                                 |              | 11:30 AM   | 1:30 PM  | MWC           |         |
|               | <i>Thursday, June 22, 2006</i>  | Large        | 10:00 AM   | 12:00 PM | Invest. Comm  |         |
|               | <i>Monday, June 26, 2006</i>    | Large        | 5:00 PM    | 9:00 PM  | NARAL         |         |
|               | <i>Tuesday, June 27, 2006</i>   | Large        | 5:00 PM    | 9:00 PM  | NARAL         |         |
|               |                                 | Small        | 5:30 PM    | 8:00 PM  | Study Commi   |         |
|               | <i>Wednesday, June 28, 2006</i> | Large        | 5:00 PM    | 9:00 PM  | NARAL         |         |
|               |                                 | Small & Mail | 6:00 PM    | 8:00 PM  | UMOJA         |         |



**League of Women Voters of Minnesota Education Fund  
550 Rice Street, St. Paul 55103 651-224-5445  
Investment Committee Meeting  
Wednesday, January 17, 2007, 9 AM  
Large Meeting Room, Edina Public Library**

**Minutes**

Present: Janet Flack, Sally Sawyer, Connie Hondl, Kay Erickson, Carol Frisch, Helen Palmer  
Excused: Chris Hanson, Amy Alvero

Minutes of December 1, 2006 were approved.

The Investment Policies beginning with Exhibit B were reviewed and amended. See Draft of Final Document attached. Several areas remain for discussion and may be resolved by email. The plan is to present the Investment Policy to the LWVMNEF Board Meeting on February 10, 9 AM. A vote will be expected at the following meeting on March 10, 9 AM.

Next meeting of the Investment Committee will be February 14, 2007, 9 AM at the home of Carol Frisch, 7025 Comanche Court, Edina. Directions below.

Respectfully submitted,  
Carol Frisch

**Directions to Frisches:**

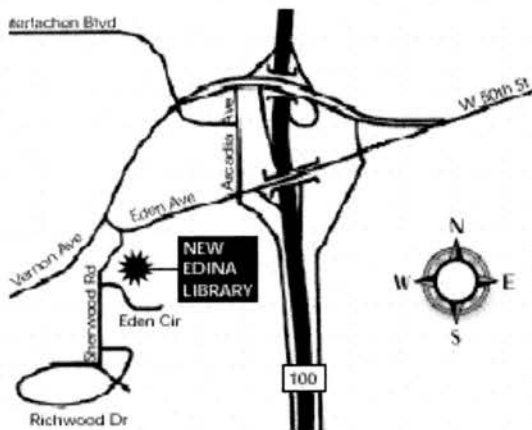
Take Hwy. 62 to 169 south or Hwy. 494 to 169 north. Go to the first exit which is Valley View. Go east on Valley View which first turns north, then east at the stop sign (Do not continue straight along the frontage road. That becomes Macauley.) The second street parallel to 169 on your left is Comanche Court, just before Valley View curves south. We are 7025 Comanche, the mission style house, third on your right from the corner.

League of Women Voters of Minnesota Education Fund  
550 Rice Street, St. Paul 55103 651/224/5445

**Investment Committee Meeting**  
**Wednesday, January 17, 2007, 9 a.m.**  
**In the large meeting room of the Edina Library**

**Agenda**

Welcome  
Minutes of the December 1, 2006 meeting  
Investment Policies  
Discussion of Risk



**Edina Community Library**  
5280 Grandview Square  
Edina, MN 55436  
952-847-5425

**Driving Directions**

**From the north:**

Take Highway 100 south to 50th Street Exit. Turn right and go 1 block to stoplight at Vernon Av. and Interlachen Blvd. Stay on Vernon, move to the left lane and go past Jerry's Supermarket. At the stoplight, turn left onto Eden Ave. Take the second right into Grandview Square and turn right to Library parking lot on the upper level.

**From the south:**

Take Highway 100 north to 50th Street and Vernon Avenue exit. Veer right onto Eden Avenue past Perkins. Cross back over Highway 100 to stop sign. Continue under railroad bridge and past school bus garage and turn left into Grandview Square. Turn right to Library parking lot on the upper level.

**From the east:**

Take 50th St. west, about a mile past France Ave. Just before City Hall, get in the left turn lane and turn onto Eden Avenue by the golf course. Continue on Eden Avenue past Perkins and cross over Highway 100 to stop sign. Continue under railroad bridge and past school bus garage and turn left into Grandview Square. Turn right to Library parking lot on the upper level.

**From the west:**

Take Highway 62 Crosstown east to Highway 100. Go north on 100 to the 50th St. and Vernon Ave. exit. Veer right onto Eden Avenue past Perkins and cross over Highway 100 to stop sign. Continue under railroad bridge and past school bus garage and turn left into Grandview Square. Turn right to Library parking lot on the upper level.

**League of Women Voters of Minnesota Education Fund  
Investment Committee Minutes    December 1, 2006  
Edina Public Library**

**Present:** Amy Alvero, Carol Frisch, Janet Flack, Kay Erickson, chair  
Ex officio: Connie Hondl, Helen Palmer, Sally Sawyer

**Minutes:**

Kay reported that the Conflict of Interest Policy was approved by the Board as amended at its November meeting. Chris's recommendations were acknowledged but received too late to be incorporated. The Committee emphasizes that it serves in an advisory role to the Board. The Board had some questions about background checks, bonding, and board liability which will be referred back to them for decision making.

Discussion of risk followed. The Committee looked at LWVUS and LWVMN previous policies, which Connie had updated. It was noted that local LWV accounts could be better invested. Presently the Endowment and Working Capital Reserve moneys are in certificates of deposit at varying rates.

The future budget process and assumptions need to reflect the use of assets. A sources and uses of funds page can do this.

The Committee revised the LWVUS Investment Policies, ~~to read as follows:~~

*Both are attached to these minutes.*

**INVESTMENT POLICIES**

All funds of the League of Women Voters of Minnesota (LWVMN) and the League of Women Voters of Minnesota Education Fund (LWVMNEF) are held by the LWVMN/LWVMNEF Board of Directors/Trustees as a fiduciary. Both legally unrestricted and restricted funds are held for the purpose of carrying out the organization's mission, and the following investment objectives and directions are to be judged and understood in light of this overall sense of stewardship. These policies are to be applied separately to the funds of the LWVMN and the funds of the LWVMNEF.

**Objectives**

The primary investment objectives of each organization are to preserve, protect and increase its assets by earning a total return for each fund (e.g., operating funds, short-term reserves, long-term reserves) appropriate to each fund's goal, time horizon, liquidity needs, and risk tolerance.

#### **A. Operating funds**

1. Investment Goals. The primary investment objectives are capital preservation and liquidity while maximizing return consistent with fund objectives.
2. Purpose. The purpose is to cover monthly cash flow or to fund designated projects.
3. Management Practices.
  - a. Funds should be held in cash and equivalent investments.
  - b. Estimated interest to be earned on the cash accounts may be included as income in the operating budgets.
  - c. Any restricted funds in these accounts shall be used for the purposes for which they were designated. Interest earned on restricted funds may be transferred to operating expenses and used for other purposes.
4. Manager. The Treasurer of the organization oversees management of these investments. The Treasurer shall provide the Executive Director and the Board with at least a quarterly accounting of the amounts and types of investments in the fund.

#### **B. Short-Term Reserve Fund**

1. Composition: The short-term reserve fund consists of unrestricted and temporarily restricted assets that are anticipated to be needed within the next two years.
2. Investment Goals. The primary investment objectives are capital preservation and liquidity that will maximize return consistent with fund objectives.
3. Purposes.
  - a. Unrestricted Assets. The primary purpose is to provide funds for current operations and unforeseen contingencies.
  - b. Temporarily Restricted Assets. The primary purpose is to provide funds for designated activities, as specified by the donors/grantors.
4. Management Practices:
  - a. Unrestricted Assets. Annual withdrawals for current operations are approved through the budget process.
  - b. Temporarily Restricted Assets. Assets may be withdrawn for the purposes for which they were designated.
  - c. These funds should be consistent with fund objectives.
  - d. Interest earned on these accounts may be transferred to operating expenses and used for other purposes.
  - e. Amounts to be transferred to/from the long-term reserve fund shall be determined by the Board.

5. The Treasurer of the organization oversees management of these investments. The Treasurer shall provide the Executive Director and the Board with at least a quarterly accounting of the amounts and types of investments in the fund.

**EXHIBIT A**  
**ACCEPTABLE RANGES OF INVESTMENTS**  
**FOR THE SHORT-TERM RESERVE FUND**

**Asset Classes**

| <b>Equity</b>                        | <b>Fixed Income</b>   | <b>Cash and Equivalents</b>  |
|--------------------------------------|---|--|
| (common stock and convertible bonds) | (certificates of deposit and U.S. & corporate notes and bonds with maturities between 6 months and 5 years) | (U.S. & corporate money market instruments and short-term notes of less than 6 months) |
| 0-20%                                | 20-60%  | 0-75%  |

**C. Long-Term Reserve Fund**

1. Composition. The long-term reserve fund consists of unrestricted (Working Capital Reserve) and temporarily restricted assets not anticipated to be needed for at least two years and the permanently-restricted, endowment fund.
2. Investment Goal. The primary investment objective is capital appreciation with above average returns over a full market cycle.
3. Purposes.
  - a. Unrestricted Assets. The primary purpose is to provide funds to meet future operational needs.
  - b. Temporarily Restricted Assets. The primary purpose is to provide funds for designated activities, as specified by the donors/grantors. (Note: Contributions for specific program activities to be undertaken in the near future are to be invested in the short-term reserve fund and not in the long-term reserve fund.)
  - c. Endowment Assets. The primary purpose is to provide long-term financial stability to the organization.
4. Management Practices:
  - a. Unrestricted Assets. Amounts to be transferred to/from the short-term reserve fund shall be determined by the Board.



- b. Temporarily Restricted Assets. Assets may be withdrawn for the purposes for which they were designated.
- c. Endowment Assets. Principal is donor restricted. Only interest may be distributed. at the end of the fiscal year.
- d. These funds are to be managed on a two- to ten-year basis and should remain within the ranges shown in Exhibit B.
- e. Income on the long-term reserve fund should remain within the fund.

Hold on # 5 for now.

- 5. Manager. The investment counselor is authorized to have full discretion, subject to these policies, in managing the long-term reserve fund.

#### **Responsibilities of the Treasurer**

The Treasurer shall maintain financial records showing allocations of income and capital gains/losses (realized and unrealized) among the various funds (unrestricted assets, those designated funds making up the temporarily restricted assets, and permanently restricted assets). At least annually income may be allocated among the unrestricted and various restricted accounts based on the ending account balances. The Treasurer shall provide the Board and Executive Director with at least a quarterly written statement containing information on the contributions to, and the balances in, each fund.

The remainder of the document was deferred until the next meeting.

The following meeting will be Wednesday, January 17, 2007 at the Edina Public Library at 9 AM.

Respectfully submitted,  
Carol Frisch

None  
up

## Statement of Risk Tolerance

In order to determine the appropriate investment strategy for the LWVMN Ed Fund portion of the Power of Three Campaign, it is first essential to determine the overall level of risk versus reward acceptable to the board and to the investment committee.

### Types of Investment Risk

There are different types of risk involved in investing. The primary types of risk are:

Market – Also known as systematic risk. This is the likelihood that a given investment will move in tandem with its overall market.

Interest rate – Most often associated with fixed-income products, this is the risk that the price of a bond or bond fund will fall with rising interest rates.

Inflation - This is the risk that the value of your portfolio will be eroded by a decline in the purchasing power of your savings.

Credit - This is associated with bonds and bond funds and refers to a bond issuers ability to repay debt as promised when the bond matures/

### Risks Involved in Various Investments

| Investment Type    | Market Risk | Inflation Risk | Credit Risk |
|--------------------|-------------|----------------|-------------|
| Stocks             | High        | Low            | n/a         |
| Government Bonds   | Medium      | High           | Low         |
| Money Market Funds | Low         | High           | Low         |
| Small-Cap Stocks   | High        | Low            | n/a         |
| High Yield Bonds   | High        | High           | High        |

### The Risk of Not Investing Appropriately

Managing risk is a balancing act between accepting an appropriate level of risk and return in your portfolio and investing too conservatively and not reaping a high enough return to reach your financial goals. Each investor has a level of risk versus reward appropriate for their individual situation.

### **Risk Tolerance Influences Investment Decisions**

Your tolerance for investment risk and your investment objectives help to determine the appropriate balance of investments. Time horizon also plays a key role. In general, the longer the time horizon, the more tolerable a higher level of risk becomes. Below is a table of some *sample* asset allocations for a range of portfolio risk levels.

|                        | Low      |          | Moderate |          | Aggressive |          |
|------------------------|----------|----------|----------|----------|------------|----------|
| <b>Investment Type</b> | <b>%</b> | <b>%</b> | <b>%</b> | <b>%</b> | <b>%</b>   | <b>%</b> |
| Treasury Bonds         | 30       | 30       | 20       | 10       | 10         | 10       |
| Bonds                  | 40       | 30       | 30       | 40       | 30         | 20       |
| Growth                 | 30       | 30       | 40       | 30       | 50         | 70       |
| Small Caps             | 0        | 0        | 0        | 10       | 0          | 0        |
| International          | 0        | 10       | 10       | 10       | 10         | 0        |

Source: Ameriprise Financial, Financial Library, Investing Essentials

### **Initial Determination of Risk Tolerance**

Based on the above information, past experience and future plans for P3 funds, the investment committee of the LWV of MN Education Fund recommends that the board adopt a strategy of accepting \_\_\_\_\_ investment risk.

Connie / Sally / Mary

# sample

**Investment Policy Statement  
For  
Endowment Fund Sample**

*Date Adopted*

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## **I. Introduction**

### **Purpose of this Policy Statement**

This policy statement outlines the goals and investment objectives for the Endowment Fund (these assets referred to in this investment policy as the "*Endowment*"). Since this document is intended to provide investment guidelines for managing the Endowment, this document outlines certain specific investment policies that will govern how the Endowment's goals are expected to be achieved. This statement:

- Describes an appropriate risk posture for the investment of the Endowment's assets,
- Establishes investment guidelines regarding the selection of investment managers, permissible securities and diversification of assets,
- Specifies the criteria for evaluating the performance of the investment managers and of the Endowment as a whole,
- Defines the responsibilities of the Board of Directors and other parties responsible for the management of the Endowment's assets.

The Board of Directors believes that the investment policies described in this statement should be dynamic. These policies should reflect the financial needs and circumstances of the Organization, the time horizon available for investment and the Board of Directors' duties and investment philosophy regarding the investment of these assets. These policies will be reviewed and revised periodically to ensure they adequately reflect changes

related to the Endowment, the Organization, the Board of Directors' tolerance for risk and the capital markets.

### **Investment Objective**

The Endowment's assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the Endowment, the Board of Directors has taken into account the time horizon available for investment, the nature of the Organization's cash flows and liabilities, and other factors that affect the Board of Directors' risk tolerance. Accordingly, the Board of Directors has adopted an investment objective of long-term growth for the Endowment. This investment objective implies the Endowment will be managed according to the following underlying principles:

- The Endowment's investments shall emphasize long-term capital appreciation as a primary source of return. Current income is a supplementary source of gains;
- The investment objective recognizes that the assets are exposed to risk and may be subject to large fluctuations in market value from year-to-year. This volatile performance is acceptable, as long as the Endowment is invested primarily for capital appreciation over the long-term;
- The Endowment's assets are expected to earn long-term returns sufficient to grow the purchasing power of assets over the long-term, net of disbursements;
- The investment objective implies a long-term time horizon available for investment in order to benefit from total returns that would normally accrue to a patient investment strategy;

- The Endowment shall be diversified in order to reduce the risk of wide swings in market value from year-to-year, or of incurring large losses that may result from concentrated positions; and
- The Endowment may potentially achieve investment results over the long-term that compare favorably with those of other professionally managed portfolios and of appropriate market indexes.

It is expected that these objectives can be obtained through a well-diversified portfolio structure in a manner consistent with this investment policy.

*This investment policy is intended to be a summary of an investment philosophy that provides guidance for the Board of Directors and other parties interested in the management of the Endowment. The guidance and limitations set forth in this statement are intended to provide the Board of Directors with a clear understanding of the investment policies and objectives of the Endowment. It is the intent of this investment policy statement to provide a meaningful framework for the investment objectives of the Endowment and that these policies will not be overly restrictive given changing economic, business, and capital market conditions. It is understood that there can be no guarantees about the attainment of the goals or investment objectives outlined here.*

## **II. Information About the Endowment**

*The information in this section outlines background information about the Endowment such as who "owns" the assets in the portfolio. Critical information in this section includes a description of the mission and focus of the Endowment or Organization, expected cash flows, tax status and regulatory environment.*

*For foundations and endowments, a description of the spending rule and the timing and nature of any fundraising campaigns are important.*

**Client Name**

**Address**

**City, State Zip**

**Tel. (xxx) xxx-xxxx**

**Primary Contact** ..... **Client Contact**  
Vice President Finance & Chief Financial Officer

**Fiscal Year End** ..... Feb-28th

### **Purpose and Scope of the Endowment**

The Endowment Fund represents the long-term assets set aside by the Board of Directors to receive, administer and invest gifts, grants, restricted and unrestricted net assets received by the Organization for the purpose of providing a supplementary source of funding for operations, infrastructure redevelopment, and other capital projects for the benefit of the Organization and the programs the Organization supports.

The assets in the Endowment are to be broadly diversified by asset class, number of issues, issue type, and other factors consistent with

the investment objectives established for the Endowment. The Endowment is to be invested with prudent levels of risk and with the expectation that long-term total returns (yield plus capital appreciation) will increase the purchasing value of the Endowment, net of all disbursements.

#### **Cash Flows and Liquidity Needs**

The Board of Directors is responsible for monitoring and allocating contributions and disbursements from the Endowment.

Contributions to the Endowment are gifts and bequests, permanently restricted donor contributions and Board of Directors designated funds. The timing and magnitude of contributions to the Endowment is unknown.

The long-term spending policy of the Fund is to make available an amount equal to 4% of a rolling five-year average of the Endowment's market value as of the beginning of each fiscal year. The Board of Directors recognizes there is a reasonable probability that over some short-term periods the total return earned by the Endowment may not keep pace with the rate of spending on a nominal or real return basis but expects that over the long-term, the investment strategy adopted has a better chance of earning a return sufficient to maintain or grow the purchasing power of assets, net of spending.

#### **Tax/Regulatory Status**

The Organization is organized as a private, not-for-profit organization according to Internal Revenue Code Section 501(c)(3). Accordingly, the income and earnings of the Endowment's assets are tax-exempt.

#### **III. Responsibilities of the Endowment Representatives**

*Roles and responsibilities are clearly outlined for each of the major decision makers that play a role in the management of the Endowment.*

*Often for institutional investors the responsibilities for establishing investment policy is separated from the responsibility for implementing approved policy and overseeing the portfolio's results.*

#### **Board of Directors**

The Board of Directors has the following responsibilities:

- Reviewing the capital and operating budget needs of the Organization and to thereby establish and review an appropriate spending policy;
- To appoint and oversee the Investment Committee that will be responsible for establishing and implementing an investment policy and the oversight of the Endowment.

### **Investment Committee**

The Investment Committee, which is a sub-committee of the Finance Committee, is comprised of members appointed by the Board of Directors, is responsible for establishing an investment policy for the Endowment and implementing approved policies and guidelines, subject to the oversight of the Board of Directors.

It is expected that the objectives and policies described here will be used as the criteria for selecting and evaluating the appropriate investment managers for the management of the Endowment's assets. Specifically, the responsibilities of the Investment Committee includes:

- Developing a long-term strategic investment plan for the Endowment. This includes evaluating their risk tolerance and establishing a long-term asset allocation policy consistent with the long-term investment objectives, financial needs and circumstances of the Organization and the Endowment.
- Determining an appropriate investment manager structure and the selection or termination of investment managers;
- To monitor and evaluate the performance of the Endowment's assets as a whole and of each investment manager;
- The selection or termination of consultants and a custodian for the Endowment;
- Such other duties as may be described in this policy or as required by applicable laws and regulations.

### **Investment Consultant**

The Investment Consultant retained by the Investment Committee shall have the following responsibilities:

- To assist the Investment Committee in strategic investment planning for the Endowment. This includes providing assistance in developing an investment policy, asset allocation strategy, and investment manager structure;
- To provide to the Investment Committee quarterly performance measurement reports for each of the investment managers and to assist the Investment Committee in interpreting the results;
- To act as a liaison between investment managers and the Investment Committee, and thereby facilitate the communication of important information in the management of the Endowment; and
- Such other duties as may be mutually agreed to.



#### **IV. Responsibilities of the Investment Managers**

*If the portfolio is managed using separately managed accounts the policy will outline the extent of:*

- *Fiduciary Responsibilities*
- *Security Selection - How much discretion does the manager have?*
- *Asset Allocation - To what extent does the investment manager have asset allocation discretion?*
- *Proxy Voting - Does the manager have proxy voting authority? What standards shall apply?*

#### **Fiduciary Responsibilities**

Each investment manager is expected to manage their portfolio in a manner consistent with the investment objectives, guidelines, and constraints outlined in this statement and in accordance with applicable laws. This would include discharging their responsibilities with respect to the Endowment consistent with "Prudent Investor"\* standards, and all other fiduciary responsibility provisions and regulations. Each investment manager shall at all times be registered as an investment advisor under the Investment Advisers Act of 1940 (where applicable), and shall acknowledge in writing that they

\* Refers to a legal standard of care. In general, this standard of care governs the fiduciary responsibilities of the investment manager that traces back to *Harvard College v. Amory* which found that trustees should "...observe how men of prudence, discretion and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of the capital to be invested."

are a fiduciary with respect to the assets they manage. Experienced investment management firms will manage the assets of the Endowment.

#### **Security Selection/Asset Allocation**

- Except as noted below, each investment manager shall have the discretion to determine their portfolio's individual security selections;
- The Endowment is expected to operate within an overall asset allocation strategy defining the Endowment's mix of asset classes. This strategy, described below, sets a long-term percentage target for the amount of the Endowment's market value that is to be invested in any one asset class. The allocation strategy also defines the allowable investment shifts between the asset classes, above and below the target allocations; and
- The asset allocation strategy for each investment manager's portfolio can deviate from the overall Endowment's asset allocation, however, the Investment Committee is responsible for monitoring the aggregate asset allocation, and may re-balance to the target allocation on a periodic basis.

#### **Proxy Voting**

Each investment manager is responsible and empowered to exercise all rights, including voting rights, as are acquired through the purchase of securities, where practical. Each investment manager shall vote proxies according to their established Proxy Voting Guidelines. A copy of those guidelines, and/or summary of proxy votes shall be provided to the Investment Committee upon request.



The Investment Committee is responsible for voting any proxies received from Investment Companies retained and for any other "Trustee Directed" investments, if applicable. The Investment Committee shall vote the proxies according to the best long-term interests of the Organization.

## **V. Risk Tolerance**

*This section describes the external factors that the Organization considered in establishing the investment policy of the Foundation. This explicit treatment of external factors is important as a communication device to the investment managers, financial advisors, regulatory authorities, and new members of the oversight committee (if applicable).*

Investment theory and historical capital market return data suggests that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (i.e. volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Endowment is the determination of an appropriate risk tolerance. The Investment Committee examined two important factors that affect their risk tolerance:

**Financial Ability** to accept risk within the investment program and, **Willingness** to accept return volatility.

Positive factors that contribute to a higher risk tolerance are:

1. The long-term time horizon available for investment, thus providing the opportunity to benefit from opportunities for growth that may accrue to a patient investment strategy;
2. The Investment Committee's willingness to accept short-term fluctuations in the market value of the Endowment, so long as the Endowment is positioned for long-term growth and a substantial and growing source of current income; and
3. The Organization may rely upon other sources of income such as operating income to fund a significant part of the operating budget. The income and earnings from the Endowment are intended to supplement these other sources of income.

Offsetting these factors is:

1. The assets in the Endowment represent the bulk of the long-term, liquid assets of the Organization. Large losses in the Endowment can adversely affect budgetary planning of the Organization and the ability and willingness of the Investment Committee or the Board of Directors to maintain an investment strategy over the long-term;
2. The difficulty of replenishing assets in the event of large losses; and
3. The need for some liquidity in the Endowment's investments to fund on-going distributions, such as the minimum required distributions, investment and administrative expenses.

## VI. Asset Allocation Strategy

In line with the return objectives and risk parameters of the Endowment, the mix of assets for the Endowment should be generally maintained as follows (percentages are of the market value of the Endowment):

| Asset Class/<br>Investment Style                   | Minimum    | Target<br>Avg. | Maximum    |
|--|------------|----------------|------------|
| <b>Domestic Large/Medium Capitalization Stocks</b> |            |                |            |
| Growth Equity Manager(s)                           | 20%        | 25%            | 30%        |
| Value Equity Manager(s)                            | 20%        | 25%            | 30%        |
|  |            |                |            |
| <b>Domestic Small/Medium Capitalization Stocks</b> |            |                |            |
| Growth Equity Manager(s)                           | 5%         | 7.5%           | 10%        |
| Value Equity Manager(s)                            | 5%         | 7.5%           | 10%        |
| <b>Total Domestic Equity</b>                       |            | <b>65%</b>     |            |
| International Stocks                               | 7%         | 10%            | 13%        |
| <b>Total Equity</b>                                | <b>65%</b> | <b>75%</b>     | <b>85%</b> |
| Investment Grade Fixed Income                      | 15%        | 25%            | 35%        |
| Cash and Cash Equivalents                          | 0%         | —              | 10%        |

*Deviations from this asset mix guideline may be authorized in writing by the Investment Committee, which may determine if the aggregate deviation constitutes a material departure from the spirit of the target allocation.*

*The maximum percentage designated for the "Cash and Cash Equivalents" category is intended to apply after the initial start-up of any one portfolio in the Endowment. The Investment Committee recognizes that this initial start-up period to become fully invested could be as long as three months after the initiation of a portfolio.*

## Rebalancing Procedures/Tactical Asset Allocation

### Rebalancing

The allocation to each asset class and to investment styles within asset classes is expected to remain stable over most market cycles.

Since capital appreciation (depreciation) and trading activity in each individually managed portfolio can result in a deviation from the overall asset allocation, the aggregate asset allocation will be monitored and the Investment Committee may review the asset allocation and manager structure at least annually. Should an allowable range for an asset class be violated, the Investment Committee must rebalance the existing assets to the target asset mix within three months of the time when the deviation is discovered. In addition, the Investment Committee shall review the actual asset allocation periodically in order to ensure conformity with the adopted strategic allocation.

To achieve the rebalancing of the Endowment, the Investment Committee may re-direct contributions and disbursements from individual investment managers as appropriate, in addition to shifting assets from one investment manager to another. The Investment Committee shall coordinate all rebalancing actions with the Investment Consultant and the Investment Managers.

### Tactical Asset Allocation

The Investment Committee recognizes the importance of maintaining a long-term strategic asset mix for the Fund and does not intend to engage in any tactical asset allocation or market timing asset mix shifts.

## VII. Performance Objectives

*This section outlines the benchmark(s) against which performance of the Endowment will be compared. It is important to note that the benchmark comparison should be fair and be representative of the long-term risk that the investor is willing to accept. Key elements of the benchmark comparison would be:*

- *Time horizon for evaluating results;*
- *The benchmark is an investable alternative representative of the risk the investor is willing to accept; and*
- *Performance evaluation takes into account both the level of return but also the amount of volatility.*

*Typically, Performance Objectives are sub-divided into a "Primary" and "Secondary" benchmark. The primary benchmark is the main objective and is usually comprised of representative market indexes weighted according to the target asset allocation of the portfolio. The secondary benchmark is intended to complement the primary benchmark and is typically a long-term "financial goal" of the Investor. Typically, this is expressed as an absolute return objective or a real (i.e. return in excess of inflation) return objective.*

The Investment Committee will monitor the performance the Endowment on a quarterly basis. The Investment Committee will evaluate each investment manager's contribution toward meeting the investment objectives outlined below over a three- to five-year time period and a full market cycle, unless otherwise noted.

**Style Index:** It is desired that the Endowment earn returns higher than the "market," as represented by a benchmark index or mix of indexes reflective this portion of the Endowment's return objectives and risk tolerance. This benchmark or "style index" is to be constructed as follows: **50% Standard & Poor's 500 Stock Index/15% Russell 2000 Stock Index/10% Morgan Stanley Capital International Europe, Australasia, and Far East (MSCI EAFE) International Stock Index (Net)\*/25% Merrill Lynch Domestic Master Bond Index.** The Endowment is expected to exceed the average annual return of this benchmark on a risk-adjusted basis over a three- to five-year rolling time period and a full market cycle.

**Secondary Performance Targets:**

1. The real return goal (return after adjusting for inflation) for the Endowment's assets is **4%**. Inflation shall be measured by the U.S. All Urban Consumers Price Index ("CPI");
2. The Endowment is expected to outpace the style index return and real return target, each measured on a compound average annual return basis after the deduction of investment management fees and annualized over a three- to five-year rolling time period and a full market cycle; and

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\* Net of dividend withholding taxes by foreign governments.

3. Performance will be compared to that of other endowments and foundations.

**VIII. Investment Strategy**

**Selection Criteria for Investment Managers**

Investment managers retained by the Investment Committee shall be chosen using the following criteria:

- Past performance, considered relative to other investments having similar investment objectives. Consideration shall be given to both consistency of performance and the level of risk taken to achieve results;
- The investment style and discipline of the investment manager;
- How well the manager's investment style or approach complements other assets in the Endowment;
- Level of experience, personnel turnover, financial resources, and staffing levels of the investment management firm;
- Restrictions, if any, on the frequency with which investors may transfer assets into or out of any fund (if applicable) or separately managed portfolio will be evaluated;
- Type and appropriateness of reporting and investor communication materials;
- Reasonable fees, relative to investment style and expected risk and return;
- All mutual funds shall be registered Investment Companies as defined under the Investment Company Act of 1940. The Investment Companies need not be classified as "diversified"



Investment Companies (as defined in the Investment Company Act of 1940);

- Ability and willingness to service this account on a customized basis, as described in this investment policy or otherwise agreed to; and
- An assessment of the likelihood of future investment success, relative to other opportunities.

The Endowment will utilize a multi-manager structure of complementary investment styles and asset classes to invest the Endowment's assets. A description of the investment managers retained is described in Section XIV starting on page 22. Any changes to the investment manager structure shall be attached to this investment policy.

Should additional contributions and/or market value growth permit, the Investment Committee may retain additional investment managers to invest the assets of the Endowment. Additional managers would be expected to diversify the Endowment by investment style, asset class, and management structure and thereby enhance the probability of the Endowment achieving its long-term investment objectives.

## **IX. Investment Guidelines**

***For Commingled Fund Investments\****: The investment guidelines for any commingled or mutual funds and limited partnerships are detailed in the prospectus or Declaration of Trust for the individual funds. The Investment Committee has the responsibility to review these guidelines to ensure they are generally consistent with this investment policy. Where there are differences between the investment guidelines of the fund and this investment policy, the Declaration of Trust (or prospectus) shall govern.

***For Separately Managed Accounts***: Investment activity must be consistent within the requirements of this policy, the manager's investment management agreement with the Institute and applicable laws. Where there are differences between the investment management agreement and this investment policy, the investment management agreement shall govern.

In addition, the following guidelines will apply:

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\* Commingled funds are pooled investment vehicles where investors own shares of the fund, but do not own the underlying investments of the fund. Commingled funds such as mutual funds, limited partnerships or trust funds are sold to investors by prospectus or trust document only. These documents are the controlling investment guidelines of the fund and the investment advisor(s) to the fund have a fiduciary and legal obligation to abide by the provisions of the prospectus (or trust document), but do not have a fiduciary obligation to the Organization. Therefore, should the Endowment invest in a pooled investment vehicle, these investment guidelines are not controlling over the fund investment and there is the possibility that fund investments may engage in transactions that are otherwise prohibited by this investment policy. For example, investing in other asset classes that would not otherwise be permitted for an investment manager, utilizing futures and options strategies or cash holdings at higher levels than what is permitted in this policy.



## A. Asset Allocation

Each investment manager has been delegated responsibility for establishing and maintaining the asset allocation strategy for their individual portfolio.

Unless otherwise noted below, under normal market conditions, each investment manager is expected to be invested primarily in equities and/or fixed income securities consistent with their investment style as described in Section XIV. Except for the initial three months after being retained by the Endowment, or as noted below, each investment manager shall not invest more than 10% of the market value of their portfolio in cash or cash equivalents. During the initial three months of the relationship with the Endowment, the investment manager may hold cash and cash equivalents in larger proportions in order to invest the portfolio on an orderly basis.

## B. Permitted Securities

### Domestic Securities

The securities purchased shall be registered with the Securities and Exchange Commission, and traded on a recognized U.S. stock exchange or over-the-counter-market.

**Equity securities include:** common stocks, real estate securities (defined below) and securities convertible into common stock of U.S.-based companies.

**Convertible securities include:** securities that are convertible into the common stock of U.S. or non-U.S. based companies. This would include convertible bonds, convertible preferred stock, and mandatory convertible securities (e.g. PERCs<sup>1</sup>, CHIPS<sup>2</sup>, ELKS<sup>3</sup>). Private placement issues, also known as "144A" securities, may not be purchased. All convertible securities purchased must be U.S. dollar denominated securities. Individual convertible securities should be rated "B" (or its equivalent) or higher at the time of purchase by a nationally recognized statistical rating agency. For the purposes of asset allocation, convertible securities shall be considered equities.

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<sup>1</sup> Preference Equity Redemption Cumulative Stock. A limited term, limited participation, convertible preferred stock with an enhanced dividend.

<sup>2</sup> Common-linked Higher Income Participation Security – Modeled on PERCs, but unlike a PERC, which is issued by the corporation which issued the underlying, CHIPS are issued by a third party, frequently a financial intermediary.

<sup>3</sup> Equity-LinKed Security – Similar to CHIPS.

**Real Estate Securities Include:** Equity REITs, mortgage REITs, CMO or mortgage-related securities REITs, Health Care REITs, and equities of real estate operating companies. Equity REITs are those securities that meet the National Association of Real Estate Investment Trusts' (NAREIT) asset mix definition of an equity REIT (currently, equity REITs are those where 75% of assets are equity financed properties). REITs may be perpetual life REITs or finite life REITs.

**Fixed income securities include:**

Domestic fixed and variable rate bonds and notes issued by the U.S. Government and its Agencies, U.S. corporations, Yankee bonds and notes (bonds or notes issued by non-U.S. based corporations and governments but traded in the U.S.), securitized mortgages (e.g. GNMA's, FNMA's, FHLMC's), collateralized mortgage obligations, asset-backed securities, taxable municipal bonds, and preferred stock. Private placement "144A" issues are not permitted.

**International Securities**

**Allowable international securities are:** sponsored and unsponsored American Depositary Receipts (ADR's) or American Depositary Shares (ADS's) or other depositary securities of non-U.S. based companies traded in the U.S. and closed-end country funds. Equities of foreign domiciled companies that are traded in the U.S. may also be purchased so long as the securities are registered (or filed) with the Securities and Exchange Commission and traded on a recognized national exchange or over-the-counter market.

**C. Diversification Requirements**

To minimize the risk of large losses, each investment manager shall maintain adequate diversification in their portfolio. Subject to the constraints outlined in this investment policy each investment manager shall have the discretion to determine their portfolio's individual security selections.

**Large/Medium Capitalization U.S. Stock Portfolio(s)**

- Investments in any one individual equity security should not exceed 8% of the market value of the investment manager's portfolio;
- Holdings of any single issue in each investment manager's portfolio should not exceed more than 5% of the market value of the total outstanding common stock of any one company;
- The maximum allocation to any single economic sector in a portfolio should not exceed the greater of 15% of the market value of the investment manager's portfolio or 200% of the economic sector's weighting in the S&P 500 Stock Index, or the investment manager's primary equity policy index, if different. Economic sector definitions shall be according to the investment manager's own classifications, which should be provided to the Investment Committee upon request;
- Equities are limited to large and medium capitalization stocks at the time of purchase. The minimum market capitalization at the time of purchase should be greater than \$1 billion;
- From time-to-time, the investment manager may invest in U.S. dollar denominated equities of non-US companies that otherwise conform to the provisions of this investment policy. In

as much as the Endowment has retained a separate international equity investment manager, investments in these foreign securities are expected to be limited.

#### **Small/Medium Capitalization U.S. Stock Portfolio(s)**

- Investments in any one security should not exceed approximately 8% of the market value of the investment manager's portfolio;
- Equities are limited to small and medium capitalization stocks. The market capitalization of any one equity security shall be between \$100 million and \$12 billion at the time of purchase. It is understood the investment manager may hold securities with market capitalizations outside this range from time-to-time;
- Holdings of any single issue in this investment manager's portfolio shall not exceed more than 5% of the market value of the total outstanding common stock of any one company\*;
- There are no constraints on the economic sector allocations of the portfolio. The investment manager may concentrate portfolio holdings in a limited number of economic sectors;
- From time-to-time, the investment manager may invest in U.S. dollar denominated equities of non-US companies that otherwise conform to the provisions of this investment policy. In as much as the Endowment has retained a separate international equity investment manager, investments in these foreign securities are expected to be limited.

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\* It is recognized, however, that an investment manager's holdings of a single issue in all portfolios firmwide may exceed this limit. This constraint applies only to the Plan's holdings.

#### **International Equity Portfolio(s)**

Subject to the usual standards of fiduciary prudence, the investment manager shall have the discretion to determine their portfolio's country allocations. However, the country allocations and portfolio structure should conform to these guidelines:

- Investments in any one individual equity security shall not exceed 8% of the market value of the investment manager's portfolio;
- Currency hedging is not permitted;
- No fewer than three countries represented in the portfolio;
- No investments in securities of companies domiciled in emerging market countries. For the purposes of this restriction, this is to be interpreted to mean no investments in countries not represented in the MSCI World ex-U.S. Index;
- No investments in securities of US based companies or convertible into the securities of US based companies;
- Investments in non-US dollar denominated securities are permitted. It is expected that non-US dollar denominated securities would be less than 20% of the market value of the portfolio;
- There are no constraints on the economic sector allocations of the portfolio. The investment manager may concentrate portfolio holdings in a limited number of economic sectors.

### Fixed Income Portfolio(s)

- Fixed income securities (except for those listed below) shall be rated investment grade or higher ("BBB-"\* or its equivalent) at the time of purchase by a nationally recognized statistical rating agency. The minimum dollar-weighted average credit quality rating of the fixed income portfolio is "AA". Asset backed securities, mortgage backed securities, and CMOs shall be rated "AAA" (or its equivalent) at the time of purchase by a nationally recognized statistical rating agency;
- Fixed income securities of a single issuer or issue, with the exception of U.S. Government and Agency securities, are limited to no more than 8% of the market value of the fixed income portfolio;
- No more than 30% of the market value of an investment manager's portfolio may be invested in a single sector of the corporate fixed income market. Sector definitions shall be according to the investment manager's own classifications, which should be provided to the Investment Committee upon request;
- The maximum effective maturity of any single security should not exceed 30 years. The dollar weighted average duration of the fixed income portfolio should be within  $\pm 25\%$  of the dollar weighted average duration of the fixed income style index;

\* All rating categories, include qualifiers "+" and "-" for S&P and "1", "2" and "3" for Moody's. In the event of a "split rated" security, that is a security with non-equivalent rating classifications from different rating agencies, the higher of the quality ratings shall apply.

- Mortgage backed securities may be purchased on a "when issued" or "TBA" basis (a forward contract transaction for mortgage backed issues that are to be issued in the near term). A short-term investment can back a "when issued" commitment as long as its effective duration does not exceed 180 days. These short-term investments should be considered within the fixed income allocation of the portfolio;
- Collateralized mortgage obligations are limited to securities that are currently paying interest, receiving principal paydowns and do not contain leverage. CMO's are limited to no more than 10% of the market value of the portfolio;
- No more than 20% of the market value of the fixed income portfolio may be invested in zero coupon bonds;
- Purchases of mortgage securities whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security and pays no principal (e.g. interest only securities) are prohibited;
- Mortgage securities whose payment represents the principal payments on the outstanding principal balance of the underlying mortgage-backed security and pays no interest (e.g. principal only securities) are prohibited;
- Purchases of mortgage securities whose payment of interest is determined by an index opposite to the changes in a market index (e.g. inverse floaters) are prohibited.



### **Alternative Investments Portfolio(s)**

Alternative investments represent investments in investment vehicles that seek to provide diversification through innovative and flexible strategies (such as the ability to short, add leverage and hedge). Investments in such vehicles are expected to provide diversification and the opportunity for capital appreciation. Diversification standards within each investment vehicle shall be according to the prospectus or trust document. Investments in these investment vehicles carry special risks. The fund(s) may utilize speculative investment strategies, trade in volatile securities, and use leverage in an attempt to generate superior investment returns. The fund(s) may invest in illiquid securities for which there is no ready market and place restrictions on investors as to when funds may be withdrawn.

Permitted alternative investments in the Portfolio are:

- Investments may include hedge funds, managed futures funds, venture capital or private equity funds, real estate, or leveraged buy-out funds. Investments in other strategies shall be reviewed and approved by the Investment Committee prior to purchase;
- Limited to diversified commingled trust fund vehicles or limited partnerships offered through a third party distribution channel, such as what is offered through many broker-dealer firms. The Investment Committee has not authorized investment in any alternative investment vehicles offered directly by any hedge fund or in any investment vehicle where the Portfolio's liability can exceed the value of the Portfolio's investment are strictly prohibited;

- Diversified by investment style and investment manager. The Portfolio shall emphasize investments in fund-of-fund vehicles that are diversified by investment style and typically utilize multiple investment managers within a fund. The Portfolio, however, may invest in single manager funds, but these investments shall not comprise the majority of the investment;
- Limited to investment vehicles that offer the ability for the Portfolio to make contributions or receive distributions at least quarterly without restriction or incurring additional fees; and
- The maximum allocation to any one fund shall not exceed 33% of the total alternatives commitment. If an allocation to a fund exceeds this limit at any point in time, the Investment Committee shall rebalance the allocation to the fund at the next opportunity when the fund permits liquidation of fund holdings.



### Cash and Equivalents

It is generally expected that the investment manager will remain fully invested in equity and/or fixed income securities; however, it is recognized that cash reserves may be utilized from time to time to provide liquidity or to implement some types of investment strategies. Cash reserves shall be held in the custodian's money market fund\*, short-term maturity Treasury securities, or high quality money market instruments.

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\* Investments in money market funds other than the custodian's money market fund must be approved by the Investment Committee prior to purchase. For investments in mutual or commingled funds, the prospectus or Trust documents of the fund(s) will govern the investment policies of the fund investments. Accordingly, it is understood that the investment manager for the separately managed account shall not be responsible for the investments in the fund.

### D. Exclusions

The Endowment's assets in separately managed accounts may not be used for the following purposes:

- Short Sales;
- Purchases of letter stock, private placements (except for "144A" securities where permitted in this investment policy), or direct payments;
- Leveraged transactions;
- Commodities transactions;
- Puts, calls, straddles, or other option strategies;
- Purchases of real estate, oil and gas properties, or other natural resources related properties with the exception of Real Estate Investment Trusts or marketable real estate securities;
- Investments in limited partnerships except for publicly traded Master Limited Partnerships and debt issued by real estate investment trusts;
- Investments in futures, use of margin, or investments in any derivatives not explicitly permitted in this policy statement;
- While the primary guiding principle for investment decisions in the Endowment should be towards the best long-term interests of the Organization and prudent investment management, the investment managers should recognize the Investment Committee the Organization's mission which includes environmental conservation. As such, the investment manager is asked to be sensitive to issues that could be particularly important to the Organization.

- Investments by the investment managers in their own securities, their affiliates, or subsidiaries (excluding money market or other commingled funds as authorized by the Investment Committee).

*The investment manager acknowledges the general guidelines presented in this investment policy and will seek to manage the portfolio in accordance with these guidelines. The investment manager will monitor the portfolio and will use its best efforts to correct any deviations from these guidelines as soon as reasonably practicable.*

*Transactions or unanticipated market actions that cause a deviation from these policy guidelines shall be brought to the attention of the Investment Committee by the investment manager prior to executing transactions, when practical. Such deviations may be authorized in writing by the Investment Committee, which can determine if the deviation constitutes a material departure from the spirit of this policy.*

*Any other security transaction not specifically authorized in this policy statement, unless approved, in writing, by the Investment Committee. Requests by investment managers to execute transactions that are not currently authorized in this policy should be made prior to executing such transactions.*

## **X. Investment Transactions**

***For separately managed accounts only:*** Trading for the Endowment is directed by and is the responsibility of each investment manager to whom the Investment Committee has granted the discretionary authority to determine (subject to the investment objectives and policies outlined herein) the securities to be bought or sold on behalf of the Endowment, the amount of such securities, and the brokers or dealers to be used in such transactions. The investment manager is generally obligated, absent the Investment Committee's direction to the contrary, to effect transactions with or through those brokers or dealers that in the investment manager's view, are capable of providing best price and execution of client orders.

## **XI. Meetings and Communications**

***For separately managed accounts only:***

- Each investment manager shall provide the Investment Committee or the Investment Consultant periodic reports describing the investment manager's outlook, investment policy, and tactics;
- A representative of each investment manager shall meet with the Investment Committee or their Investment Consultant on an annual basis, at a mutually convenient time and place, to review and explain their portfolio's investment results;
- A representative of each investment manager shall be available on a reasonable basis for telephone communication when needed;

- Any material event that affects the ownership or capital structure of the investment management firm, changes in senior investment personnel or any other material event that affects the management of this account must be reported promptly to the Investment Committee or the Investment Consultant. This requirement does not include routine employee stock ownership transactions or partnership announcements;
- The Investment Consultant will provide written performance reports for each separately managed account and for the composite portfolio of these accounts;
- The custodian shall provide monthly statements of assets and transactions.

## **XII. Performance Evaluation**

As noted above, the Investment Committee will monitor the performance of the separately managed accounts and of the composite of these accounts on a quarterly basis.

The Investment Committee will evaluate each investment manager's success in achieving the investment objectives outlined in this document over at least a three- to five-year time horizon. The Investment Committee realizes that most investments go through cycles. Therefore, there will be periods of time in which the investment objectives are not met or when some investment managers fail to meet their expected performance targets.

The Endowment's (and investment manager's) performance should be reported in terms of rate of return and changes in dollar value. The returns should be compared to appropriate market indexes and peer group universes, for the most recent quarter and for annual and cumulative prior time periods.

The Endowment's asset allocation in separately managed accounts shall be reported on a quarterly basis.

Risk as measured by volatility, or standard deviation of quarterly returns, shall be evaluated after twelve quarters of performance history have accumulated. An attribution analysis shall also be performed for the separately managed accounts, to evaluate how much of the Endowment's investment results are due to the investment managers' investment decisions, as compared to the effect of the financial markets. It is expected that this analysis will use the "style index" as the performance benchmark for evaluating both the returns achieved and the level of risk taken.

The investment managers' performance will also be evaluated in similar fashion according to the performance standards outlined in their individual policy statements and summarized in the attached "Performance Standards" (page 22).

### **Guidelines for Corrective Action**

The Investment Committee recognizes the importance of a long-term focus when evaluating the performance of investment managers. The Investment Committee understands the potential for short-term periods when the performance of individual managers may deviate significantly from the performance of representative market indexes. The Investment Committee, however, may require an extra level of scrutiny, which may include termination, of an investment manager based on the following conditions:

- Any material event that affects the ownership or capital structure of the investment management firm, or the management of this account (such as described in Section XI). Failure on the part of the investment manager to notify the Investment Committee or the Investment Consultant may be grounds for termination;
- Any material client servicing deficiencies, including a failure to communicate in a timely fashion significant changes as outlined in Section XI of this investment policy;
- Violation of terms of contract without prior written approval of the Investment Committee constitutes grounds for termination;
- Diversification strategy – as part of its overall asset allocation strategy, the Endowment will utilize a multi-manager structure of complementary investment styles and asset classes to invest the

Endowment's assets. Therefore, it is very important that investment managers remain consistent with the intended investment style at the time the manager was engaged;

- The Investment Committee will not as a rule terminate an investment manager on the basis of short-term performance. If the organization is sound and the firm is adhering to its investment style and approach, the Investment Committee will allow a sufficient interval of time over which to evaluate performance. The Investment Committee expects the Investment Consultant will provide guidance to determine an appropriate length of time. The investment manager's performance will be viewed in light of the firm's particular investment style and approach, keeping in mind at all times the Endowment's diversification strategy as well as the overall quality of the relationship;
- The investment manager may be replaced at any time as part of an overall restructuring of the Endowment. The Investment Committee reserves the right to terminate an investment manager for any other reason in accordance with any applicable investment management agreements.

To provide greater guidance to the Investment Committee, the following guidelines may be used to determine whether an investment manager should be placed on "probationary status" due to performance, service requirements, or any other consideration such as those described above. These guidelines should be interpreted as general guidelines. The Investment Committee retains the discretion to use these guidelines and any other relevant information they determine as important in assessing an investment manager:

- Risk-adjusted performance of the investment manager, as represented by Sharpe Ratio; for example, has deteriorated below relevant market index standards, agreed to in advance, over at least a trailing three-year period, but may be longer or shorter depending on the stage of the market cycle and guidance provided by the investment consultant;
- Performance of the investment manager has lagged its primary style index for four consecutive quarters.

If in the judgement of the Investment Committee, any one of these conditions warrants Probationary Status, the Investment Committee shall note this in writing in the minutes of Committee meetings.

### **XIII. Approval**

*It is understood that this investment policy is to be reviewed periodically by the Investment Committee to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status, risk tolerance, or changes involving the investment managers. Should the Investment Committee permit a deviation from this policy or implement an approved change in policy, the circumstances and rationale for the change shall be documented and attached to this investment policy.*

*The Board of Directors and the Investment Committee understand and agree that the provisions of this document are subject to any relevant investment advisory agreement and to the extent of any conflict, the terms of the investment advisory agreement controls. The Board of Directors and the Investment Committee further understand that this investment policy statement does not provide any additional rights other than those that are described in any investment advisory agreement.*

Probationary Status of an investment manager shall be reviewed after two consecutive quarters, however, the Investment Committee reserves the right to take action at any time.

If an investment manager has been placed on Probationary Status due to performance, the Investment Committee shall review the Probationary Status of the investment manager at the end of the Probationary period to determine whether the investment manager may be removed from Probation Status, extend the Probationary period or replace the investment manager.

\_\_\_\_\_  
**Chairperson, Investment Committee**

\_\_\_\_\_  
**Date**



## Investment Manager

*Deviations from the investment policies and constraints outlined in this document may be authorized in writing by the Investment Committee, which can determine if the aggregate deviation constitutes a material departure from the spirit of this investment policy.*

*The investment policy as set forth in this document will be reviewed periodically by the Investment Committee, which can approve and implement changes. If at any time the investment manager believes that these objectives cannot be met or that the investment guidelines constrict performance, the Investment Committee should be so notified in writing. By initial and continuing acceptance of these objectives and guidelines, the investment manager agrees to abide by the provisions of this document effective as of*

\_\_\_\_\_.

\_\_\_\_\_  
*Investment Manager*

Sample



It is desired that each investment manager and the total portfolio represented by this investment policy produce a level of return higher than the "market," as represented by the policy index standards shown in the table below. Each investment manager is expected to exceed the average return of the benchmark on a risk-adjusted basis over three- to five-year time periods. In addition, the investment managers are expected to exceed the policy index benchmark measured on a compound annual return basis and annualized over three- to five-year holding periods. Inflation shall be measured by the US CPI-U Index.

| Investment Manager  | Investment Objective/<br>Investment Style  | Style Index Standard  |
|---|--|---|
| Total Endowment   | Long-term growth. This investment objective is expected to earn long-term total returns primarily from capital appreciation and secondarily from current income sufficient to maintain or grow purchasing power, net of disbursements.   | <b>Primary:</b> 50% S&P 500/15% Russell 2000 Stock Index/10% MSCI EAFE (Net)/25% ML Domestic Master Bond Index  |
|   | Domestic equity, investment grade bonds and cash equivalents.  | <b>Secondary:</b> Rates of return should provide a premium of 4% over Inflation. Peer group comparisons to other endowments and foundations.<br><br>Volatility is expected to be similar to, but may be higher than the style index.  |
| Investment Manager Name<br>(Domestic Large/medium capitalization equity – growth-at-a-reasonable price) | Seeks long-term growth. Current income is a secondary objective. Domestic, large and medium capitalization equities and cash equivalents.  | <b>Primary:</b> 100% Russell 1000 Stock Index   |
|   | Features thematic industry concentrations within sectors while the overall equity portfolio remains diversified across sectors. Industry themes in the portfolio are shaped by intensive fundamental research on individual companies. The firm looks for "Growth at the Right Price", identifying companies that have the potential for significant earnings growth and a reasonable valuation. | <b>Secondary:</b> Rates of return should provide a premium of 7% over Inflation. Secondary performance comparisons to other professionally managed large/mid cap growth equity portfolios.<br><br>Volatility is expected to be similar to, but may be lower than the style index. |

| Investment Manager  | Investment Objective/<br>Investment Style   | Style Index Standard  |
|---|---|---|
| <b>Investment Manager Name</b><br><i>(Domestic Large Cap Equity - Value)</i>                        | <p>Seeks long-term growth. Current income is a secondary objective. Manager invests in domestic large/medium capitalization stocks with value characteristics.</p> <p>Using a value-based disciplined process that employs both informed judgement and quantitative analysis, the investment manager seeks to invest in what the firm believes are undervalued securities. As a value manager, Lord, Abbett believes that the market systematically misprices individual stocks and sectors, and that its approach will generate above average returns with less than average market risk. Uses a combination bottom-up/top-down approach to identify a universe of 400 stocks that are attractively priced and industries with attractive valuations. Analysts research company fundamentals, focusing on approximately 150 stocks with a catalyst expected to lead to price improvement. Portfolio managers construct portfolios considering the relative valuations, confidence in fundamentals, and/or economic and interest rate risk of the individual companies.</p> | <p><b>Primary:</b> 100% Russell 1000 Value Index</p> <p><b>Secondary:</b> Rates of return should provide a premium of 7% over Inflation. Secondary performance comparisons to 100% Russell 1000 Value Stock Index and a peer group comprised of other professionally managed large/mid cap value equity portfolios.</p> <p>VOLATILITY IS EXPECTED TO BE SIMILAR TO, OR LOWER THAN, THE STYLE INDEX.</p> |
| <b>Investment Manager Name</b><br><i>(Domestic small and medium capitalization equity – growth)</i> | <p>Aggressive growth. Current income is not a consideration. Portfolio is expected to provide diversification through exposure to smaller, less seasoned companies. Manager invests in stocks with growth characteristics.</p> <p>Uses fundamental analysis to select reasonably priced equities with potential for growth. These companies should also benefit from unique product niches, rapid technological advances, barriers to entry and/or secular trends. The investment manager seeks to identify companies whose fundamental characteristics include: (1) earnings exceeding expectations, (2) sustainable competitive advantages, (3) quality management, and (4) attractive relative valuations.</p>   | <p><b>Primary:</b> 100% Russell 2000 Growth Stock Index</p> <p><b>Secondary:</b> Rates of return should provide a premium of 9% over Inflation. Secondary comparisons to 100% Russell 2000 Stock Index and a peer group universe comprised of other professionally managed small/mid cap growth equity portfolios.</p> <p>Volatility is expected to be higher than the style index.</p>                 |

| Investment Manager   | Investment Objective/<br>Investment Style   | Style index Standard   |
|--|---|--|
| <b>Investment Manager Name</b><br><i>(Domestic Small/medium capitalization stocks – blend of growth and value)</i> | <p>Aggressive growth. Current income is not a consideration. Portfolio is expected to diversify the Portfolio through exposure to smaller, less seasoned companies. Manager invests in stocks with a blend of growth and value characteristics.</p> <p>Investment objective is to build a diversified portfolio of the "next generation of blue-chip companies" and to produce investment returns typical of small cap stocks, but with less risk. Investment approach uses a bottom-up stock selection process that focuses on stocks with market capitalizations less than \$3 billion, rising free cash flow to shareholders, minimum of 35% of earnings reinvested, and long-term debt ratings of "A" or less than 35% of capital. Fundamental research narrows universe of stocks from these screens and portfolio is constructed so as to select stocks within each sector of the Russell 2000.</p> | <p><b>Primary:</b> 100% Russell 2500 Value Stock Index</p> <p><b>Secondary:</b> Rates of return should provide a premium of 9% over Inflation. Secondary comparisons to a peer group universe comprised of other professionally managed small/mid cap equity portfolios.</p> <p>Volatility is expected to be similar to the style index.</p> |
| <b>Investment Manager Name</b><br><i>(International Equity – U.S. dollar denominated)</i>                          | <p>Long-term growth. Current income is a secondary consideration. Portfolio is expected to diversify the total portfolio through exposure to U.S. dollar denominated equity securities of non-US based companies and cash equivalents. The investment manager does not hedge against fluctuations in exchange rates.</p> <p>Uses a bottom-up, value-oriented investment style. Additional research subjects each company to an intensive accounting validation process with particular importance placed on an analysis of cash flows and discretionary items on the balance sheet. Analysts further determine the sustainability of expected returns through fundamental analysis. Research efforts are enhanced through on-site visits by analysts who focus on specific industries worldwide. Country and sector allocations are an outgrowth of security selections.</p>                              | <p><b>Primary:</b> 100% MSCI EAFE Stock Index (Net)</p> <p><b>Secondary:</b> Rates of return should provide a premium of 8% over Inflation. Secondary comparisons to a peer group universe comprised of other professionally managed international equity portfolios.</p> <p>Volatility is expected to be similar to the style index.</p>    |

| Investment Manager  | Investment Objective/<br>Investment Style   | Style Index Standard   |
|---|---|--|
| <b>Investment Manager</b><br><i>(Domestic Fixed Income)</i> | Current income, diversification of the Fund and volatility control. Domestic fixed income securities and cash equivalents. Emphasis on high quality issues, closely matching the average duration of the portfolio's benchmark.   | <b>Primary:</b> 100% Merrill Lynch Domestic Master Index   |
|   | Believes that duration judgments based on top-down interest rate forecasting are the most important factors in fixed income management. Adjustments to duration and sector weights are made relative to the benchmark, with an eye toward controlling risk.   | <b>Secondary:</b> Rates of return should provide a premium of 3% over Inflation. Secondary comparisons to a peer group universe comprised of other professionally managed fixed income portfolios.<br><br>Volatility is expected to be similar to the style index. |
| <b>Alternative Investments</b>                              | Investment vehicles that would be expected to implement this investment strategy are typically through commingled funds or limited partnerships, both of which are typically offered through private placements to qualified investors.   | <b>List of Funds/Managers:</b>   |
|   | Diversification standards within each investment vehicle shall be according to the prospectus or trust document. Investments in these investment vehicles carry special risks. The fund(s) may utilize speculative investment strategies, trade in volatile securities, and use leverage in an attempt to generate superior investment returns. The fund(s) may invest in illiquid securities for which there is no ready market and place restrictions on investors as to when funds may be withdrawn. |  |

# Appendix 1: Capital Market History

## Asset Allocation - Risk & Reward

### Annual Returns - 1946-2003

|  | Largest Loss | Average Loss | Average Gain | Largest Gain | Percent of Years Negative | Percent of Years Positive | Compound Avg. Return | Std. Dev. | Average Return in Excess of Inflation |
|--|--------------|--------------|--------------|--------------|---------------------------|---------------------------|----------------------|-----------|---------------------------------------|
| <b>100% Stocks (2)</b>                       | -26.5%       | -10.5%       | 20.4%        | 52.6%        | 24%                       | 76%                       | 11.6%                | 16.3%     | 7.2%                                  |
| <b>100% Bonds (3)</b>                        | -5.1%        | -1.5%        | 7.2%         | 29.1%        | 12%                       | 88%                       | 6.0%                 | 5.2%      | 1.8%                                  |
| <b>100% Cash (4)</b>                         | 0.4%         | --           | 4.7%         | 14.7%        | 0%                        | 100%                      | 4.7%                 | 0.9%      | 0.6%                                  |
| <b>90% Stocks<br/>No Bonds<br/>10% Cash</b>  | -23.4%       | -8.9%        | 18.7%        | 46.6%        | 24%                       | 76%                       | 11.0%                | 14.5%     | 6.6%                                  |
| <b>80% Stocks<br/>10% Bonds<br/>10% Cash</b> | -20.3%       | -7.3%        | 17.3%        | 41.1%        | 24%                       | 76%                       | 10.5%                | 12.9%     | 6.2%                                  |
| <b>70% Stocks<br/>20% Bonds<br/>10% Cash</b> | -17.3%       | -6.7%        | 15.2%        | 35.7%        | 21%                       | 79%                       | 10.0%                | 11.3%     | 5.7%                                  |
| <b>60% Stocks<br/>30% Bonds<br/>10% Cash</b> | -14.1%       | -5.0%        | 13.9%        | 30.5%        | 21%                       | 79%                       | 9.5%                 | 9.8%      | 5.2%                                  |
| <b>50% Stocks<br/>40% Bonds<br/>10% Cash</b> | -10.9%       | -3.8%        | 12.3%        | 25.5%        | 19%                       | 81%                       | 8.9%                 | 8.4%      | 4.7%                                  |
| <b>40% Stocks<br/>50% Bonds<br/>10% Cash</b> | -7.7%        | -2.2%        | 11.1%        | 24.4%        | 19%                       | 81%                       | 8.3%                 | 7.1%      | 4.1%                                  |
| <b>30% Stocks<br/>60% Bonds<br/>10% Cash</b> | -4.3%        | -2.1%        | 9.1%         | 25.1%        | 10%                       | 90%                       | 7.8%                 | 6.0%      | 3.5%                                  |
| <b>20% Stocks<br/>70% Bonds<br/>10% Cash</b> | -3.0%        | -1.5%        | 7.9%         | 25.8%        | 7%                        | 93%                       | 7.1%                 | 5.1%      | 3.0%                                  |
| <b>10% Stocks<br/>80% Bonds<br/>10% Cash</b> | -3.6%        | -2.2%        | 7.0%         | 26.5%        | 3%                        | 97%                       | 6.5%                 | 4.6%      | 2.3%                                  |
| <b>No Stocks<br/>90% Bonds<br/>10% Cash</b>  | -4.3%        | -1.0%        | 7.0%         | 27.1%        | 12%                       | 88%                       | 5.9%                 | 4.7%      | 1.7%                                  |

Source of data: Ibbotson Assoc., Chicago

1. Average Inflation Rate 4.1%.

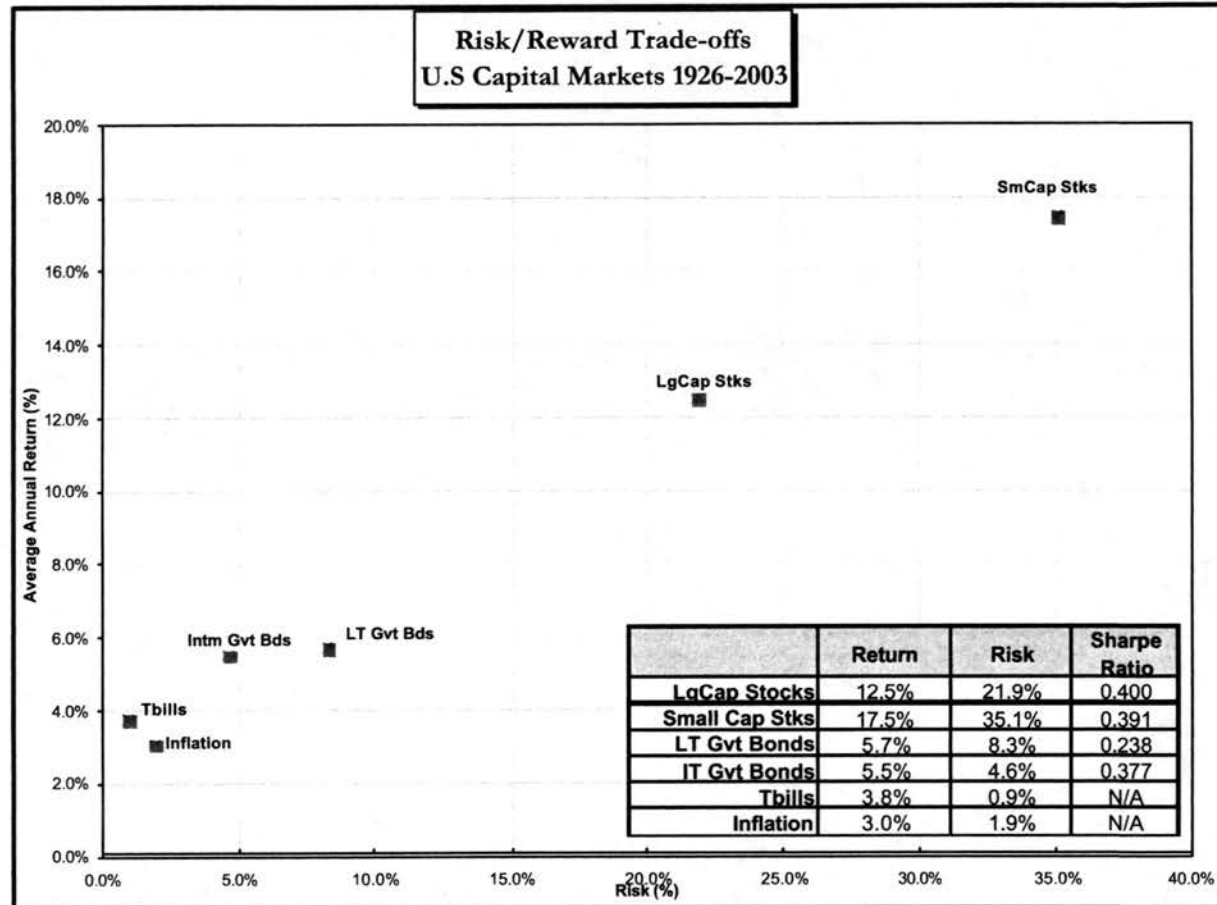
2. Stocks: Standard & Poor's 500 Stock Index

3. Bonds Intermediate Govt. Bonds

4. Cash 30-day Treasury bills

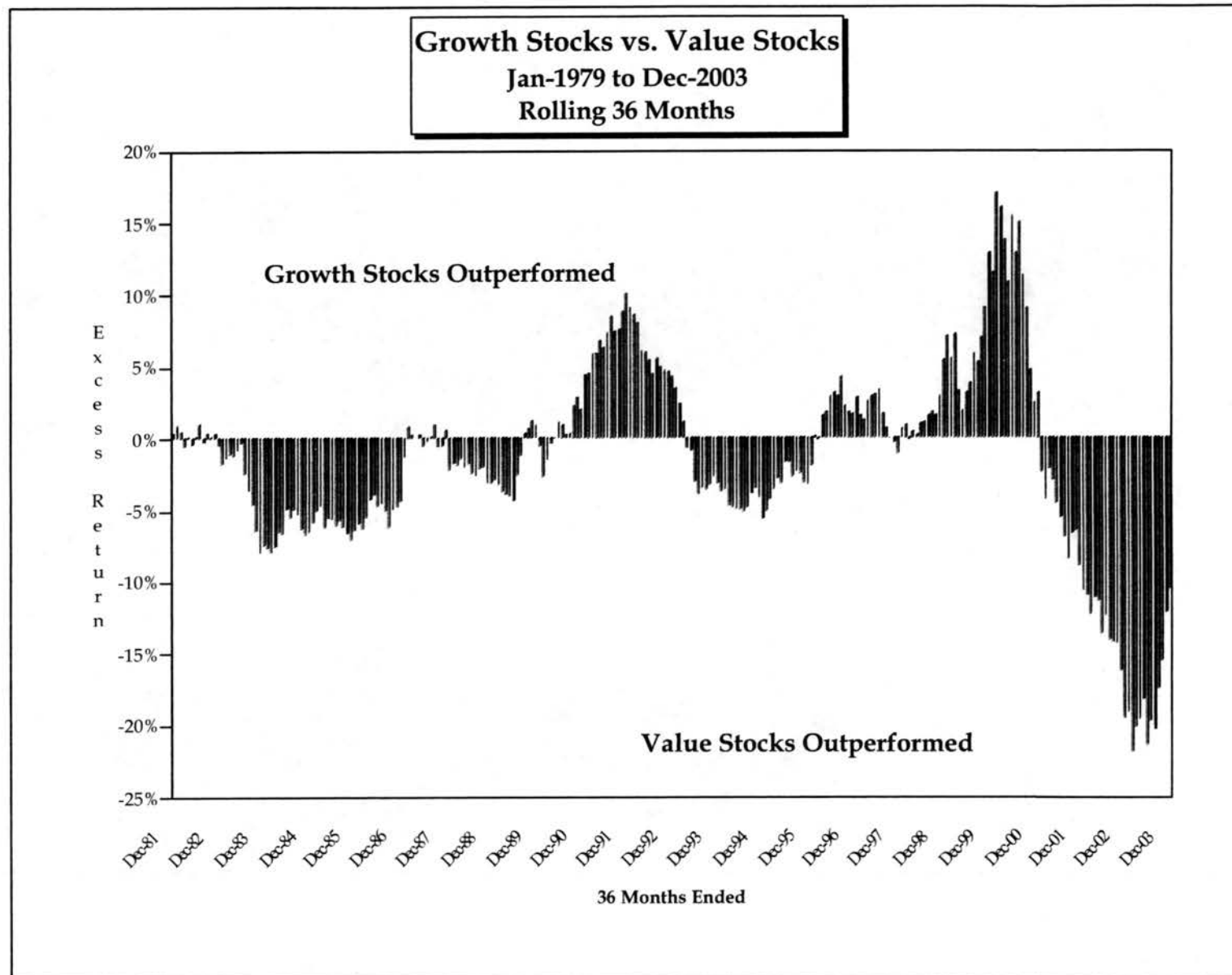


## Appendix 1: Capital Market History



Source of data: Ibbotson Assoc., Chicago

## Appendix 1: Capital Market History

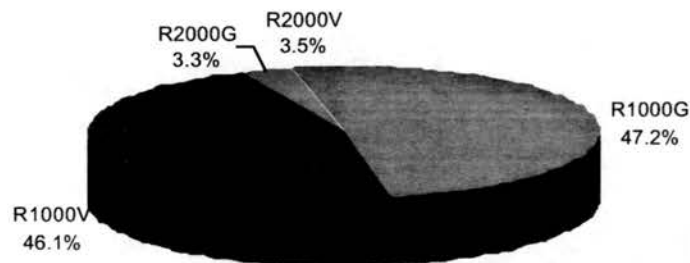


Source of data: Ibbotson Assoc., Chicago

## Appendix 1: Capital Market History

**Style Allocation of Russell 3000**

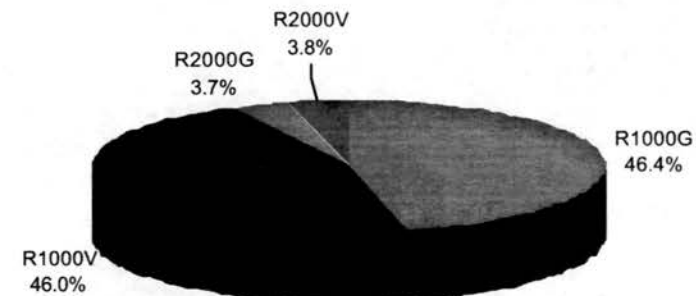
*as of 12/31/2002*



**Total Market Value: \$9,000.0 bill**

**Style Allocation of Russell 3000**

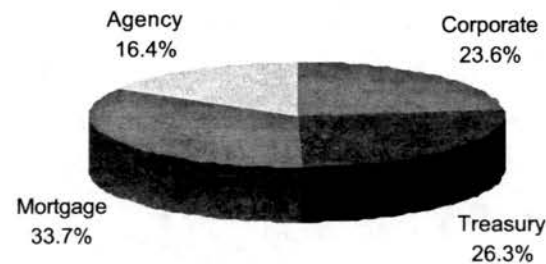
*as of 12/31/2003*



**Total Market Value: \$11,640.0 bill**

**Sector Distribution of the ML Domestic Master Bond Index**

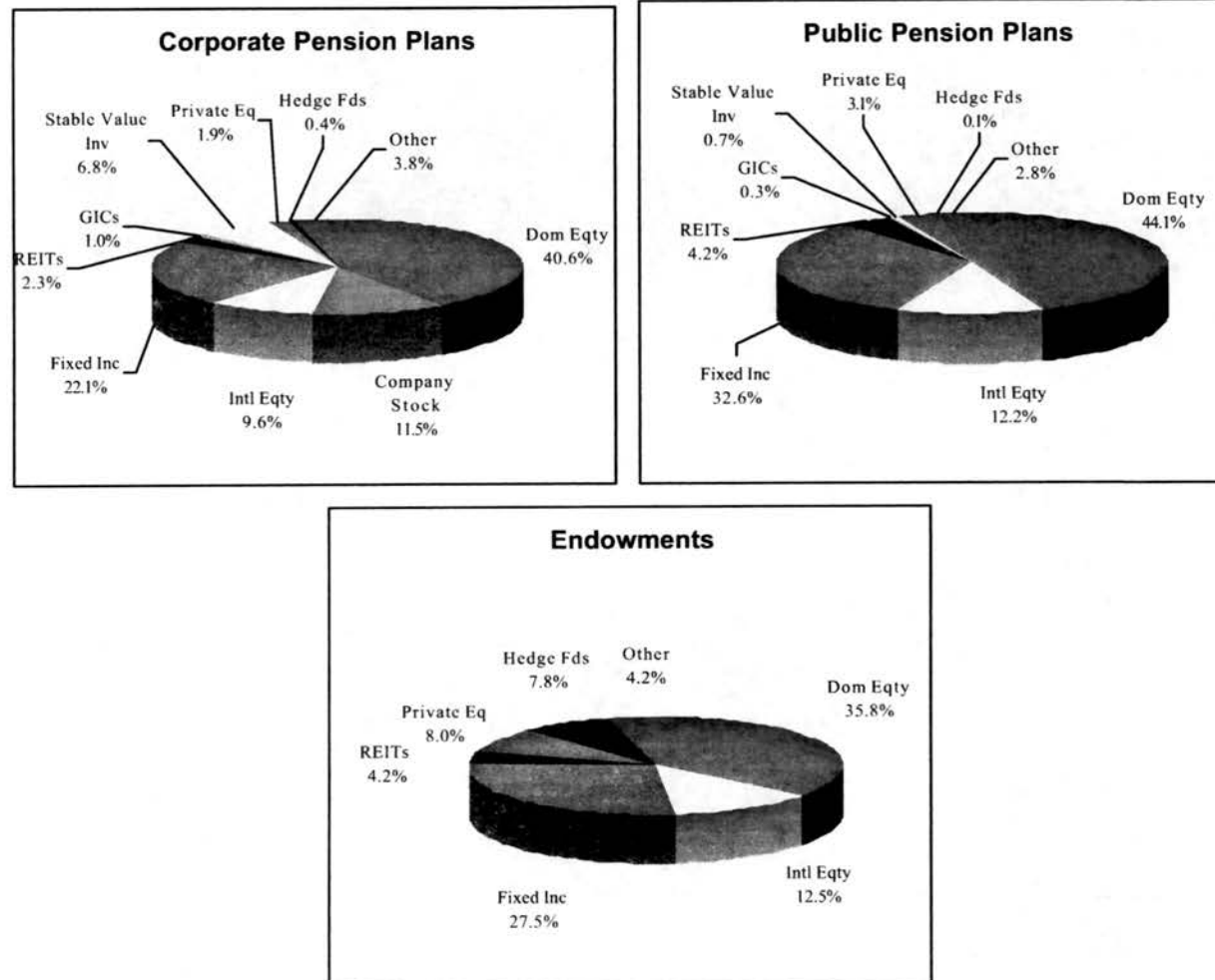
*as of December 31, 2003*



Avg. Yield: 4.0%  
Avg. Dur: 4.8 yrs  
Avg. Mat: 6.6 yrs

## Appendix 1: Capital Market History

# Average Asset Allocation of Other Institutional Funds



Source: Greenwich Assoc., 2002-03

## **INVESTMENT POLICIES**

All funds of the League of Women Voters of the United States (LWVUS) and the League of Women Voters Education Fund (LWVEF) are held by the LWVUS/LWVEF Board of Directors/Trustees as a fiduciary. Both legally unrestricted and restricted funds are held for the purpose of carrying out the organization's mission, and the following investment objectives and directions are to be judged and understood in light of this overall sense of stewardship. These policies are to be applied separately to the funds of the LWVUS and the funds of the LWVEF.

### **Delegation**

The LWVUS/LWVEF Board of Directors/Trustees has delegated supervisory authority over its financial affairs to its Executive Committee, which shall be responsible for reporting regularly on investments to the full board. In carrying out its responsibilities, the Executive Committee and its agents shall act in accordance with these investment policies and all applicable laws and regulations. The board reserves to itself the exclusive right to revise these policies.

The board and its Executive Committee are authorized to retain one or more investment counselors to assume the management of funds and assets owned and administered by the organization. The board may also grant exceptions to these investment policies when appropriate. In discharging this authority, the Executive Committee may act in the place of the board and may receive reports from, pay compensation to, and enter into agreements with such counselors.

### **Objectives**

The primary investment objectives of each organization are to preserve, protect and increase its assets by earning a total return for each fund (e.g., cash accounts, short-term reserves, long-term reserves, and pooled income fund) appropriate to each fund's goal, time horizon, liquidity needs, and risk tolerance.

#### **A. Cash Accounts**

1. Investment Goals. The primary investment objectives are capital preservation and liquidity.
2. Purpose. The purpose is to cover monthly variance in the cash flow.
3. Management Practices.
  - a. Funds should be held in cash and equivalent investments.
  - b. Unrestricted funds above 15 percent of budgeted unrestricted expenses, excluding depreciation, shall be transferred to the short-term reserve fund. Amounts to be transferred shall be determined annually by the Executive Committee.
  - c. Estimated interest to be earned on the cash accounts may be included as income in the operating budgets.



- d. Any restricted funds in these accounts shall be used for the purposes for which they were designated.
- 4. Manager. The Chief Financial Officer of the organization oversees management of these investments. The Chief Financial Officer shall provide the Executive Director and the Executive Committee with a quarterly accounting of the amounts and types of investments in the fund.

#### **B. Short-Term Reserve Fund**

- 1. Composition: The short-term reserve fund consists of unrestricted and temporarily restricted assets that are anticipated to be needed within the next five years.
- 2. Investment Goals. The primary investment objectives are capital preservation and liquidity.
- 3. Purposes.
  - a. Unrestricted Assets. The primary purpose is to provide funds for current operations and unforeseen contingencies.
  - b. Temporarily Restricted Assets. The primary purpose is to provide funds for designated activities, as specified by the donors/grantors.
- 4. Management Practices:
  - a. Unrestricted Assets. Annual withdrawals for current operations are limited to a sum equal to 5 percent of the average of the past three years' market value of these assets, as calculated at the end of the fiscal year.
  - b. Temporarily Restricted Assets. Assets may be withdrawn for the purposes for which they were designated.
  - c. These funds should be managed on a 3-month to 5-year basis and should remain within the ranges shown in Exhibit A.
  - c. The Budget Committee shall annually budget amounts to be withdrawn. Any withdrawals above these amounts should be authorized by the Executive Committee.
  - d. Income on the short-term reserve fund should remain within the fund and at least annually should be allocated among the unrestricted and various restricted accounts based on the ending account balances.
  - e. Amounts to be transferred to/from the long-term reserve fund shall be determined annually by the Executive Committee.
- 5. Manager. The investment counselor is authorized to have full discretion, subject to these policies, in managing the short-term reserve fund.

### **EXHIBIT A ACCEPTABLE RANGES OF INVESTMENTS**

## FOR THE SHORT-TERM RESERVE FUND

### Asset Classes

| Equity                               | Fixed Income  | Cash and Equivalents   |
|--------------------------------------|---|--|
| (common stock and convertible bonds) | (certificates of deposit and U.S. & corporate notes and bonds with maturities between 6 months and 5 years) | (U.S. & corporate money market instruments and short-term notes of less than 6 months) |
| 0-20%                                | 20-60%  | 0-75%  |

### C. Long-Term Reserve Fund

1. Composition. The long-term reserve fund consists of unrestricted and temporarily restricted assets not anticipated to be needed for at least five years and the permanently-restricted, board-designated endowment fund.
2. Investment Goal. The primary investment objective is capital appreciation with above average returns over a full market cycle.
3. Purposes.
  - a. Unrestricted Assets. The primary purpose is to provide funds to meet future operational needs.
  - b. Temporarily Restricted Assets. The primary purpose is to provide funds for designated activities, as specified by the donors/grantors. (Note: Contributions for specific program activities to be undertaken in the near future are to be invested in the short-term reserve fund and not in the long-term reserve fund.)
  - c. Endowment Assets. The primary purpose is to provide long-term financial stability to the organization.
4. Management Practices:
  - a. Unrestricted Assets. Amounts to be transferred to/from the short-term reserve fund shall be determined annually by the Executive Committee.
  - b. Temporarily Restricted Assets. Assets may be withdrawn for the purposes for which they were designated. Amounts to be transferred to the short-term reserve fund shall be determined annually by the Executive Committee.
  - c. Endowment Assets. Contributions to the endowment fund may not be withdrawn. Annual withdrawals for current operations are limited to a sum equal to 5 percent of the average of the past three years' market value of these assets, as calculated at the end of the fiscal year. The Budget Committee shall annually budget an amount to be withdrawn.
  - d. These funds are to be managed on a five- to ten-year basis and should remain within the ranges shown in Exhibit B.

- e. Income on the long-term reserve fund should remain within the fund and at least annually should be allocated among the unrestricted and various restricted accounts based on the ending account balances.
5. Manager. The investment counselor is authorized to have full discretion, subject to these policies, in managing the long-term reserve fund.

**EXHIBIT B**  
**ACCEPTABLE RANGES OF INVESTMENTS**  
**FOR THE LONG-TERM RESERVE FUND**

**Asset Classes**

| <b>Equity</b>                        | <b>Fixed Income</b>  | <b>Cash and Equivalents</b>  |
|--------------------------------------|--|--|
| (common stock and convertible bonds) | (certificates of deposit and U.S. & corporate notes and bonds with maturities between 6 months and 10 years) | (U.S. & corporate money market instruments and short-term notes of less than 6 months) |
| 20-80%                               | 20-60%   | 0-20%  |

**D. Planned Giving Assets**

1. Composition. The planned giving assets consist of contributions, held by an independent trustee, that provide individual beneficiaries with agreed upon entitlement and the remainder to the League of Women Voters Education Fund and/or affiliates.
2. Investment Goal. The primary investment objectives are income, growth, and preservation of the charitable remainder.
3. Purpose. The purpose is to provide tax-advantaged giving vehicles for individual contributions to the League of Women Voters Education Fund.
4. Management Practices. These planned giving assets are managed by an independent trustee, whose Investment Policy Statement was adopted by the LWVEF Board of Trustees on January 29, 2006.
5. Manager. The Chief Financial Officer of the organization selects the trustee and oversees the trustee's management of these investments. The Chief Financial Officer shall provide the Executive Director and the Executive Committee with an annual accounting of the amounts and types of investments in the fund.

**Responsibilities of the Chief Financial Officer**

The Chief Financial Officer shall maintain financial records showing allocations of income and capital gains/losses (realized and unrealized) among the various funds (unrestricted assets, those designated funds making up the temporarily restricted assets, and permanently restricted assets). At least annually income should be allocated among the unrestricted and various restricted accounts based on the ending account balances. If necessary in the case of losses, projected allocations to donor-established funds should be revised so that the balance does not fall below the total of all contributions made to that fund. The Chief Financial Officer shall provide the Executive Committee and Executive Director with a quarterly written statement containing information on the contributions to, and the balances in, each fund.

### **Investment Counselor Reporting Requirements**

1. Monthly: The counselor shall provide the president, the treasurer, the Executive Director, and the Chief Financial Officer with a monthly written statement listing the current worth of each security and containing all pertinent transaction details for each separately managed portfolio for the preceding month, including the name and quantity of each security purchased or sold, with the price and transaction date.
2. Quarterly: The counselor shall provide the president, the treasurer, the Executive Director and the Chief Financial Officer with:
  - a. An analysis for each security, including its description, percentage of total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated annual income and yield (%) at market; and
  - b. An analysis for the entire portfolio of the current asset allocation by investment category (equities, fixed-income securities, and cash equivalents) and time horizon.
3. Annually: The counselor shall provide the board, the Executive Director and the Chief Financial Officer with detailed information about asset allocation, asset diversification, investment performance, and future investment strategies.

### **Asset Quality**

1. Common stocks: The quality rating of at least 80 percent of common stocks should be B or better, as rated by Standard & Poor's or other equivalent rating services. The counselor may use nonrated common stocks at his/her discretion, if the counselor believes the stocks to be of equivalent quality to a B rating by Standard and Poor's.
2. Convertible preferred stocks and convertible bonds: The counselor may use convertible preferred stocks and bonds as equity investments. The quality rating of convertible preferred stocks and convertible bonds must be BBB or better, as rated by Standard & Poor's, or Baa or better, as rated by Moody's. The common stock into which both may be converted must be rated as specified in Section 1.
3. Fixed-income securities: The quality rating of bonds and notes must be A or better, as rated by Standard & Poor's or Moody's. The portfolio may consist of only traditional

principal and interest obligations (no derivatives) with maturities of ten years or less. The counselor may use nonrated bonds at her/his discretion, if the counselor believes the bonds to be of equivalent quality to an A rating.

4. Cash equivalents: The quality rating of commercial paper must be A-1, as rated by Standard & Poor's, P-1 as rated by Moody's, or better. The assets of any money market mutual funds must comply with the quality provisions for fixed-income securities.

#### **Asset Allocation**

To accomplish each organization's investment objectives, the investment counselor is authorized to utilize portfolios of equity securities (common stocks and convertible securities), fixed-income securities, and cash and cash equivalents. As a guide to accomplishing these objectives, investments should remain within the ranges provided. These ranges can be modified from time to time by the Executive Committee with approval by the board. The actual investment targets shall be set within those limits by the counselor in conjunction with the Executive Committee.

#### **Asset Diversification**

As a general policy, the investment counselor will maintain reasonable diversification at all times. The counselor may not allow the investments in the equity securities of any one company to exceed 10 percent of each fund's portfolio nor the total securities position (debt and equity) in any one company to exceed 12 percent of that portfolio. The counselor should also maintain reasonable industry allocations and diversification. In that regard, no more than 15 percent of a fund's portfolio may be invested in the securities of any one industry, using generally accepted industry definitions as determined by the investment counselor. If these percentages are exceeded due to the performance of one or more equities, the counselor shall consult with the Executive Committee and take steps to restore diversification in a manner and over a period of time as agreed upon by the Executive Committee.

#### **Transactions**

All purchases of securities will be for cash, and there will be no margin transactions, short-selling, or commodity transaction.

#### **Investment Criteria Based on Mission or Social Responsibility**

The organization desires to invest in companies whose business conduct is consistent with the organization's principles, priorities, and mission. Therefore, the counselor will use his/her best efforts to avoid investing directly in the securities of any company known to participate in businesses that the board would deem to be inappropriate.

#### **Fund Transfers**

The investment counselor will be responsible for transferring all funds from the sale of donated equities to the cash accounts, unless otherwise specified by the donor.

The Executive Director and Chief Financial Officer will be responsible for determining the need for transferring funds between the short-term reserve fund and cash reserves, in



accordance with these policies and the adopted budgets, and for advising the counselor in a timely manner of the organization's cash distribution needs. The counselor is responsible for providing adequate liquidity to meet each organization's cash flow requirements.

The Executive Committee shall approve transfers that are not included in the budgets or that occur in time frames different from those projected. The Executive Committee shall also review



**WACHOVIA**

## **National Center for Planned Giving**

### **INVESTMENT POLICY STATEMENT**

#### **League of Women Voters Education Fund**

##### **I. MISSION STATEMENT**

The purpose of the Investment Policy document is to provide guidelines for the management of planned giving assets of the League of Women Voters Education Fund. The investment policy seeks to translate the investment goals and objectives of the League of Women Voters Education Fund into a cohesive, long-term investment framework that is consistent with the overall mission and the management of the planned giving funds.

##### **II. PURPOSE OF POLICY**

The purpose of this statement is to establish the investment policy for the management of planned giving assets for the League of Women Voters Education Fund. This statement of investment policies is set forth in order to:

1. Establish and document the investment objectives, philosophy, policies, guidelines, and goals for the planned giving investment assets of the League of Women Voters Education Fund.

2. Provide the Finance Committee of the Board of Trustees (the Committee) of the League of Women Voters Education Fund with a written document and understanding of said investment objectives, philosophy, policies and goals of the League of Women Voters Education Fund's planned giving assets.
3. Clearly communicate to the Committee and Wachovia Center for Planned Giving (the Investment Manager) their role, and the duties and responsibilities.
4. Establish the basis for evaluation of the investment performance of the League of Women Voters Education Fund's planned giving portfolio and of the Investment Manager.

This statement is meant to be sufficiently specific to be meaningful, but also flexible enough to attain the objectives to be outlined, allowing for changing economic conditions and securities markets.

### **III. CONTEXT OF POLICY**

The Committee recognizes that the primary purpose of this portfolio is to provide individual beneficiaries with agreed upon entitlement and the remainder to the League of Women Voters Education Fund and/or affiliates to achieve the charitable goals of the donors. As such the objective of the portfolio will be income, growth, and preservation of the charitable remainder.

Charitable gift annuities are subject to various state regulations. This policy seeks to achieve the objectives set forth while being mindful of the various state restrictions that may be placed on the charitable gift annuity investments of the League of Women Voters Education Fund. The Committee recognizes that from time to time some changes in investment allocations may have to be made to comply with such statutes.

Additionally, in developing the Investment Policy, the Committee recognizes the following:

- fluctuating rates of return are a characteristic of the investment markets, and
- performance cycles cannot be accurately predicted as to their beginning, and/or magnitude.

Therefore, the asset allocation decisions set forth in this policy are based on a careful examination of:

- The mission and goals of the League of Women Voters Education Fund's planned giving program.

- Historical review of various asset categories, their risk and return characteristics and correlation coefficient.
- The various statutory requirements placed on charitable gift annuities and charitable trusts.

#### **IV. INVESTMENT GOALS AND OBJECTIVES**

These funds are defined to be permanent in nature and therefore employ a long-term approach to the investment of these dollars. The primary investment objective of the League of Women Voters Education Fund is to provide for long-term growth of capital while meeting the payout obligations to the beneficiaries of the Charitable Gift Annuity Contracts, Pooled Income Fund and Charitable Trusts.

The Committee recommends that the primary investment goals be:

- Provide individual beneficiaries with agreed upon entitlement and the remainder to the League of Women Voters Education Fund and/or affiliates to achieve the charitable intent of the donor.
- Growth of the fund corpus while minimizing year-to-year fluctuations in the value of the portfolio.

#### **V. PERFORMANCE GOALS**

The responsibility for administering and reviewing the League of Women Voters Education Fund's investment policies are within the purview of the Board of Trustees. The Board of Trustees will approve all policy guidelines and amendments. The Committee will oversee the investment management of the League of Women Voters Education Fund and periodically evaluate the performance results and make recommendations as to changes in the management of these funds.

The Committee will meet at least annually with the Investment Manager to review compliance with established guidelines and performance results.

The Committee will measure investment performance over rolling three and five-year periods, during which the performance of the assets should consistently meet or exceed a composite index comprised of an appropriate mix (associated with the League of Women Voters Education Fund's portfolio) of the indices noted below:

- Standard & Poor 500 and 400 Mid Cap
- Russell 1000 Value
- Russell 1000 Growth
- Russell 2000 Value
- Russell 2000 Growth

- MSCI-EAFE -(Morgan Stanley Capital International, Europe, Australian, and Far East Index)
- Lehman Intermediate Government Credit
- Lehman Aggregate
- Merrill Lynch Bb/B Index
- Merrill Lynch 91 day U.S. Treasury Bills
- Other indices, mutually agreed on by the Committee and the Investment Manager, which provide a better match for the Investment Manager's investment style or strategy.

The appropriate mix of indices associated with the League of Women Voters Education Fund's planned giving portfolio will be reflected in the performance reporting of the portfolio.

## VI. INVESTMENT GUIDELINES

### ASSET ALLOCATION TARGETS (Multi-State Charitable Gift Annuity Reserve)

The reserve portion of the fund will be invested pursuant to the state restrictions on charitable gift annuities. Issuance of gift annuities is governed by numerous states, and the most conservative approach as determined by the state restrictions ensures compliance in a charitable gift annuity pool. The amount of the reserve and the state restrictions are determined based on the profile of the gift annuitant pool using the applicable mortality tables and discount factors. The investment models are then developed as a result of the analysis of the latest applicable state regulations and the reserve amount.

Any funds designated by the board as "reserve" funds, but not subject to state restrictions, will be maintained within the same allowable ranges as the surplus fund.

### *ASSET ALLOCATION TARGETS (Charitable Gift Annuity Surplus and Charitable Remainder Trusts)*

The non-reserve or surplus portion of charitable gift annuity pool may be invested in any mix of equity and fixed income mutual funds. Charitable remainder trusts may also be invested in any mix of equity and fixed income mutual funds.

To achieve the investment objective, the surplus portion of the assets shall be allocated among a number of asset classes. These asset classes may include: core domestic equities, style specific domestic equities, small company equities, whether core or style specific, domestic fixed income securities, global fixed income securities, international equities and cash equivalents.

Since the League of Women Voters Education Fund currently does not have restricted states in the gift annuity pool, the **asset allocation of the charitable gift annuity reserve and surplus portfolio** will be maintained within the allowable ranges indicated below:

|                           | Ranges     | Normal |
|---------------------------|------------|--------|
| Cash Equivalents:         | 0% to 5%   | 0%     |
| Fixed Income Securities*: | 20% to 60% | 40%    |
| Equities:                 | 40% to 80% | 60%    |
| • Large Cap               | 30% to 50% | 36%    |
| • Small Cap/ Mid Cap      | 5% to 20%  | 14%    |
| • International           | 5% to 10%  | 10%    |



The **asset allocation of the charitable remainder trust portfolio** will be maintained within the allowable ranges indicated below:

|                           | Ranges     | Normal |
|---------------------------|------------|--------|
| Cash Equivalents:         | 0% to 5%   | 0%     |
| Fixed Income Securities*: | 25% to 45% | 40%    |
| Equities:                 | 55% to 75% | 60%    |
| • Large Cap               | 30% to 50% | 36%    |
| • Small Cap/Mid Cap       | 5% to 20%  | 14%    |
| • International           | 5% to 10%  | 10%    |

#### **ASSET ALLOCATION TARGETS (Pooled Income Fund Trust)**

The pooled income fund trust may be invested in any mix of fixed income and equity mutual funds with the primary purpose of generating income and capital appreciation.

To achieve the investment objective, the surplus portion of the assets shall be allocated among a number of asset classes. These asset classes may include: core domestic equities, style specific domestic equities, domestic fixed income securities, cash equivalents, and non-investment grade fixed income bonds through mutual funds.

The **asset allocation of the pooled income trust portfolio** will be maintained within the allowable ranges indicated below:

|                           | Ranges      | Normal |
|---------------------------|-------------|--------|
| Cash Equivalents:         | 0% to 5%    | 0%     |
| Fixed Income Securities*: | 50% to 100% | 80%    |
| Equities:                 | 0% to 50%   | 20%    |

\*In addition, the Committee may authorize the Investment Manager to deploy up to 10% of the Portfolio to Non-Investment Grade Fixed Income Bonds and 10% to Foreign Bonds through mutual funds.

#### **GENERAL ASSET ALLOCATION PARAMETERS**

The Committee recognizes that a rigid asset allocation would be both impractical and to some extent, undesirable under various market conditions. Therefore, the allocation of the League of Women Voters Education Fund's total planned giving assets may vary from time to time within the accepted ranges without being considered an exception to this investment policy. Acceptable range is within 500 basis points of the target. The League of Women Voters Education Fund instructs the Investment Manager to rebalance

its portfolio on a quarterly basis. In rebalancing, the Investment Manager will allocate assets back to the target allocation per portfolio.

The Investment Manager has no authority to substitute funds without soliciting and receiving approval from the committee.

**Permitted Investments:**

1. Cash Equivalents: all cash and equivalent investments shall be made with utmost concern for quality. Therefore, investments will be limited to U.S. Treasury bills, commercial paper rated P-I and insured certificates of deposit. Other securities that reflect similar quality as those described above including, but not limited to, money market mutual funds which meet such parameters, are permissible also.
2. Fixed Income: fixed income securities shall include securities issued by the U.S. government and its agencies and securities issued by U.S. corporations. The average quality of the League of Women Voters Education Fund's fixed income portfolio must be at least "A" rated. Fixed income mutual funds, which meet such parameters, are permissible.
3. Equities: equities shall include common stocks, preferred stocks, and bonds convertible into common stock. Adequate diversification shall be maintained within the purchased equity portfolio so that no single security comprises more than 5% of the total value of the equity portfolio. Donated stocks may be exempted from these criteria, at the discretion of the Committee. Mutual funds, which meet the investment parameters, including investment grade quality, are permissible.

**Prohibited Investments:**

The following categories of securities and other investment activity are not permitted for investment without the prior written approval of the Committee.

- Unregistered or restricted stock
- Commodities, precious metals or tangibles
- Private placements
- Initial public offerings (must have two year trading history)
- Uncovered options
- Futures trading
- Short selling
- Margin trading
- Letter Stock
- Venture capital

VII. Policy Review and Modification

Each year, the Committee will review the Investment Policy, investment objectives, benchmarks, asset allocation and restrictions for the League of Women Voters Education Fund. The Committee will also use its periodic investment performance evaluations as occasions to also consider whether any elements of the existing policy are either insufficient or inappropriate. In particular, the Committee will review the following:

- The League of Women Voters Education Fund 's ongoing ability to tolerate downturns in asset value (function of financial and cash flow considerations)
- Any changes in the League of Women Voters Education Fund 's liquidity requirements
- Any changes in the League of Women Voters Education Fund 's spending requirements
- Any changes in the League of Women Voters Education Fund 's rate of return objectives
- Changes in the League of Women Voters Education Fund 's priorities
- Areas found to be important but not covered by policy.

#### **VIII. POLICY ADOPTION**

This investment policy was adopted by the Board of Trustees of the League of Women Voters Education Fund on:

January 29, 2006.

## **INVESTMENT POLICIES**

All funds of the League of Women Voters of the United States (LWVUS) and the League of Women Voters Education Fund (LWVEF) are held by the LWVUS/LWVEF Board of Directors/Trustees as a fiduciary. Both legally unrestricted and restricted funds are held for the purpose of carrying out the organization's mission, and the following investment objectives and directions are to be judged and understood in light of this overall sense of stewardship. These policies are to be applied separately to the funds of the LWVUS and the funds of the LWVEF.

### **Delegation**

The LWVUS/LWVEF Board of Directors/Trustees has delegated supervisory authority over its financial affairs to its Executive Committee, which shall be responsible for reporting regularly on investments to the full board. In carrying out its responsibilities, the Executive Committee and its agents shall act in accordance with these investment policies and all applicable laws and regulations. The board reserves to itself the exclusive right to revise these policies.

The board and its Executive Committee are authorized to retain one or more investment counselors to assume the management of funds and assets owned and administered by the organization. The board may also grant exceptions to these investment policies when appropriate. In discharging this authority, the Executive Committee may act in the place of the board and may receive reports from, pay compensation to, and enter into agreements with such counselors.

### **Objectives**

The primary investment objectives of each organization are to preserve, protect and increase its assets by earning a total return for each fund (e.g., cash accounts, short-term reserves, long-term reserves, and pooled income fund) appropriate to each fund's goal, time horizon, liquidity needs, and risk tolerance.

#### **A. Cash Accounts**

1. Investment Goals. The primary investment objectives are capital preservation and liquidity.
2. Purpose. The purpose is to cover monthly variance in the cash flow.
3. Management Practices.
  - a. Funds should be held in cash and equivalent investments.
  - b. Unrestricted funds above 15 percent of budgeted unrestricted expenses, excluding depreciation, shall be transferred to the short-term reserve fund. Amounts to be transferred shall be determined annually by the Executive Committee.
  - c. Estimated interest to be earned on the cash accounts may be included as income in the operating budgets.

- d. Any restricted funds in these accounts shall be used for the purposes for which they were designated.
- 4. Manager. The Chief Financial Officer of the organization oversees management of these investments. The Chief Financial Officer shall provide the Executive Director and the Executive Committee with a quarterly accounting of the amounts and types of investments in the fund.

#### **B. Short-Term Reserve Fund**

- 1. Composition: The short-term reserve fund consists of unrestricted and temporarily restricted assets that are anticipated to be needed within the next five years.
- 2. Investment Goals. The primary investment objectives are capital preservation and liquidity.
- 3. Purposes.
  - a. Unrestricted Assets. The primary purpose is to provide funds for current operations and unforeseen contingencies.
  - b. Temporarily Restricted Assets. The primary purpose is to provide funds for designated activities, as specified by the donors/grantors.
- 4. Management Practices:
  - a. Unrestricted Assets. Annual withdrawals for current operations are limited to a sum equal to 5 percent of the average of the past three years' market value of these assets, as calculated at the end of the fiscal year.
  - b. Temporarily Restricted Assets. Assets may be withdrawn for the purposes for which they were designated.
  - c. These funds should be managed on a 3-month to 5-year basis and should remain within the ranges shown in Exhibit A.
  - c. The Budget Committee shall annually budget amounts to be withdrawn. Any withdrawals above these amounts should be authorized by the Executive Committee.
  - d. Income on the short-term reserve fund should remain within the fund and at least annually should be allocated among the unrestricted and various restricted accounts based on the ending account balances.
  - e. Amounts to be transferred to/from the long-term reserve fund shall be determined annually by the Executive Committee.
- 5. Manager. The investment counselor is authorized to have full discretion, subject to these policies, in managing the short-term reserve fund.

### **EXHIBIT A ACCEPTABLE RANGES OF INVESTMENTS**



## FOR THE SHORT-TERM RESERVE FUND

### Asset Classes

| Equity                               | Fixed Income  | Cash and Equivalents   |
|--------------------------------------|---|--|
| (common stock and convertible bonds) | (certificates of deposit and U.S. & corporate notes and bonds with maturities between 6 months and 5 years) | (U.S. & corporate money market instruments and short-term notes of less than 6 months) |
| 0-20%                                | 20-60%  | 0-75%  |

### C. Long-Term Reserve Fund

1. Composition. The long-term reserve fund consists of unrestricted and temporarily restricted assets not anticipated to be needed for at least five years and the permanently-restricted, board-designated endowment fund.
2. Investment Goal. The primary investment objective is capital appreciation with above average returns over a full market cycle.
3. Purposes.
  - a. Unrestricted Assets. The primary purpose is to provide funds to meet future operational needs.
  - b. Temporarily Restricted Assets. The primary purpose is to provide funds for designated activities, as specified by the donors/grantors. (Note: Contributions for specific program activities to be undertaken in the near future are to be invested in the short-term reserve fund and not in the long-term reserve fund.)
  - c. Endowment Assets. The primary purpose is to provide long-term financial stability to the organization.
4. Management Practices:
  - a. Unrestricted Assets. Amounts to be transferred to/from the short-term reserve fund shall be determined annually by the Executive Committee.
  - b. Temporarily Restricted Assets. Assets may be withdrawn for the purposes for which they were designated. Amounts to be transferred to the short-term reserve fund shall be determined annually by the Executive Committee.
  - c. Endowment Assets. Contributions to the endowment fund may not be withdrawn. Annual withdrawals for current operations are limited to a sum equal to 5 percent of the average of the past three years' market value of these assets, as calculated at the end of the fiscal year. The Budget Committee shall annually budget an amount to be withdrawn.
  - d. These funds are to be managed on a five- to ten-year basis and should remain within the ranges shown in Exhibit B.

- e. Income on the long-term reserve fund should remain within the fund and at least annually should be allocated among the unrestricted and various restricted accounts based on the ending account balances.
5. Manager. The investment counselor is authorized to have full discretion, subject to these policies, in managing the long-term reserve fund.

**EXHIBIT B**  
**ACCEPTABLE RANGES OF INVESTMENTS**  
**FOR THE LONG-TERM RESERVE FUND**

**Asset Classes**

| <b>Equity</b>                        | <b>Fixed Income</b>  | <b>Cash and Equivalents</b>  |
|--------------------------------------|--|--|
| (common stock and convertible bonds) | (certificates of deposit and U.S. & corporate notes and bonds with maturities between 6 months and 10 years) | (U.S. & corporate money market instruments and short-term notes of less than 6 months) |
| 20-80%                               | 20-60%   | 0-20%  |

**D. Planned Giving Assets**

1. Composition. The planned giving assets consist of contributions, held by an independent trustee, that provide individual beneficiaries with agreed upon entitlement and the remainder to the League of Women Voters Education Fund and/or affiliates.
2. Investment Goal. The primary investment objectives are income, growth, and preservation of the charitable remainder.
3. Purpose. The purpose is to provide tax-advantaged giving vehicles for individual contributions to the League of Women Voters Education Fund.
4. Management Practices. These planned giving assets are managed by an independent trustee, whose Investment Policy Statement was adopted by the LWVEF Board of Trustees on January 29, 2006.
5. Manager. The Chief Financial Officer of the organization selects the trustee and oversees the trustee's management of these investments. The Chief Financial Officer shall provide the Executive Director and the Executive Committee with an annual accounting of the amounts and types of investments in the fund.

**Responsibilities of the Chief Financial Officer**

The Chief Financial Officer shall maintain financial records showing allocations of income and capital gains/losses (realized and unrealized) among the various funds (unrestricted assets, those designated funds making up the temporarily restricted assets, and permanently restricted assets). At least annually income should be allocated among the unrestricted and various restricted accounts based on the ending account balances. If necessary in the case of losses, projected allocations to donor-established funds should be revised so that the balance does not fall below the total of all contributions made to that fund. The Chief Financial Officer shall provide the Executive Committee and Executive Director with a quarterly written statement containing information on the contributions to, and the balances in, each fund.

### **Investment Counselor Reporting Requirements**

1. Monthly: The counselor shall provide the president, the treasurer, the Executive Director, and the Chief Financial Officer with a monthly written statement listing the current worth of each security and containing all pertinent transaction details for each separately managed portfolio for the preceding month, including the name and quantity of each security purchased or sold, with the price and transaction date.
2. Quarterly: The counselor shall provide the president, the treasurer, the Executive Director and the Chief Financial Officer with:
  - a. An analysis for each security, including its description, percentage of total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated annual income and yield (%) at market; and
  - b. An analysis for the entire portfolio of the current asset allocation by investment category (equities, fixed-income securities, and cash equivalents) and time horizon.
3. Annually: The counselor shall provide the board, the Executive Director and the Chief Financial Officer with detailed information about asset allocation, asset diversification, investment performance, and future investment strategies.

### **Asset Quality**

1. Common stocks: The quality rating of at least 80 percent of common stocks should be B or better, as rated by Standard & Poor's or other equivalent rating services. The counselor may use nonrated common stocks at his/her discretion, if the counselor believes the stocks to be of equivalent quality to a B rating by Standard and Poor's.
2. Convertible preferred stocks and convertible bonds: The counselor may use convertible preferred stocks and bonds as equity investments. The quality rating of convertible preferred stocks and convertible bonds must be BBB or better, as rated by Standard & Poor's, or Baa or better, as rated by Moody's. The common stock into which both may be converted must be rated as specified in Section 1.
3. Fixed-income securities: The quality rating of bonds and notes must be A or better, as rated by Standard & Poor's or Moody's. The portfolio may consist of only traditional

principal and interest obligations (no derivatives) with maturities of ten years or less. The counselor may use nonrated bonds at her/his discretion, if the counselor believes the bonds to be of equivalent quality to an A rating.

4. Cash equivalents: The quality rating of commercial paper must be A-1, as rated by Standard & Poor's, P-1 as rated by Moody's, or better. The assets of any money market mutual funds must comply with the quality provisions for fixed-income securities.

#### **Asset Allocation**

To accomplish each organization's investment objectives, the investment counselor is authorized to utilize portfolios of equity securities (common stocks and convertible securities), fixed-income securities, and cash and cash equivalents. As a guide to accomplishing these objectives, investments should remain within the ranges provided. These ranges can be modified from time to time by the Executive Committee with approval by the board. The actual investment targets shall be set within those limits by the counselor in conjunction with the Executive Committee.

#### **Asset Diversification**

As a general policy, the investment counselor will maintain reasonable diversification at all times. The counselor may not allow the investments in the equity securities of any one company to exceed 10 percent of each fund's portfolio nor the total securities position (debt and equity) in any one company to exceed 12 percent of that portfolio. The counselor should also maintain reasonable industry allocations and diversification. In that regard, no more than 15 percent of a fund's portfolio may be invested in the securities of any one industry, using generally accepted industry definitions as determined by the investment counselor. If these percentages are exceeded due to the performance of one or more equities, the counselor shall consult with the Executive Committee and take steps to restore diversification in a manner and over a period of time as agreed upon by the Executive Committee.

#### **Transactions**

All purchases of securities will be for cash, and there will be no margin transactions, short-selling, or commodity transaction.

#### **Investment Criteria Based on Mission or Social Responsibility**

The organization desires to invest in companies whose business conduct is consistent with the organization's principles, priorities, and mission. Therefore, the counselor will use his/her best efforts to avoid investing directly in the securities of any company known to participate in businesses that the board would deem to be inappropriate.

#### **Fund Transfers**

The investment counselor will be responsible for transferring all funds from the sale of donated equities to the cash accounts, unless otherwise specified by the donor.

The Executive Director and Chief Financial Officer will be responsible for determining the need for transferring funds between the short-term reserve fund and cash reserves, in

accordance with these policies and the adopted budgets, and for advising the counselor in a timely manner of the organization's cash distribution needs. The counselor is responsible for providing adequate liquidity to meet each organization's cash flow requirements.

The Executive Committee shall approve transfers that are not included in the budgets or that occur in time frames different from those projected. The Executive Committee shall also review



**WACHOVIA**

## **National Center for Planned Giving**

### **INVESTMENT POLICY STATEMENT**

#### **League of Women Voters Education Fund**

##### **I. MISSION STATEMENT**

The purpose of the Investment Policy document is to provide guidelines for the management of planned giving assets of the League of Women Voters Education Fund. The investment policy seeks to translate the investment goals and objectives of the League of Women Voters Education Fund into a cohesive, long-term investment framework that is consistent with the overall mission and the management of the planned giving funds.

##### **II. PURPOSE OF POLICY**

The purpose of this statement is to establish the investment policy for the management of planned giving assets for the League of Women Voters Education Fund. This statement of investment policies is set forth in order to:

1. Establish and document the investment objectives, philosophy, policies, guidelines, and goals for the planned giving investment assets of the League of Women Voters Education Fund.



2. Provide the Finance Committee of the Board of Trustees (the Committee) of the League of Women Voters Education Fund with a written document and understanding of said investment objectives, philosophy, policies and goals of the League of Women Voters Education Fund's planned giving assets.
3. Clearly communicate to the Committee and Wachovia Center for Planned Giving (the Investment Manager) their role, and the duties and responsibilities.
4. Establish the basis for evaluation of the investment performance of the League of Women Voters Education Fund's planned giving portfolio and of the Investment Manager.

This statement is meant to be sufficiently specific to be meaningful, but also flexible enough to attain the objectives to be outlined, allowing for changing economic conditions and securities markets.

### **III. CONTEXT OF POLICY**

The Committee recognizes that the primary purpose of this portfolio is to provide individual beneficiaries with agreed upon entitlement and the remainder to the League of Women Voters Education Fund and/or affiliates to achieve the charitable goals of the donors. As such the objective of the portfolio will be income, growth, and preservation of the charitable remainder.

Charitable gift annuities are subject to various state regulations. This policy seeks to achieve the objectives set forth while being mindful of the various state restrictions that may be placed on the charitable gift annuity investments of the League of Women Voters Education Fund. The Committee recognizes that from time to time some changes in investment allocations may have to be made to comply with such statutes.

Additionally, in developing the Investment Policy, the Committee recognizes the following:

- fluctuating rates of return are a characteristic of the investment markets, and
- performance cycles cannot be accurately predicted as to their beginning, and/or magnitude.

Therefore, the asset allocation decisions set forth in this policy are based on a careful examination of:

- The mission and goals of the League of Women Voters Education Fund's planned giving program.



- Historical review of various asset categories, their risk and return characteristics and correlation coefficient.
- The various statutory requirements placed on charitable gift annuities and charitable trusts.

#### **IV. INVESTMENT GOALS AND OBJECTIVES**

These funds are defined to be permanent in nature and therefore employ a long-term approach to the investment of these dollars. The primary investment objective of the League of Women Voters Education Fund is to provide for long-term growth of capital while meeting the payout obligations to the beneficiaries of the Charitable Gift Annuity Contracts, Pooled Income Fund and Charitable Trusts.

The Committee recommends that the primary investment goals be:

- Provide individual beneficiaries with agreed upon entitlement and the remainder to the League of Women Voters Education Fund and/or affiliates to achieve the charitable intent of the donor.
- Growth of the fund corpus while minimizing year-to-year fluctuations in the value of the portfolio.

#### **V. PERFORMANCE GOALS**

The responsibility for administering and reviewing the League of Women Voters Education Fund's investment policies are within the purview of the Board of Trustees. The Board of Trustees will approve all policy guidelines and amendments. The Committee will oversee the investment management of the League of Women Voters Education Fund and periodically evaluate the performance results and make recommendations as to changes in the management of these funds.

The Committee will meet at least annually with the Investment Manager to review compliance with established guidelines and performance results.

The Committee will measure investment performance over rolling three and five-year periods, during which the performance of the assets should consistently meet or exceed a composite index comprised of an appropriate mix (associated with the League of Women Voters Education Fund's portfolio) of the indices noted below:

- Standard & Poor 500 and 400 Mid Cap
- Russell 1000 Value
- Russell 1000 Growth
- Russell 2000 Value
- Russell 2000 Growth

- MSCI-EAFE -(Morgan Stanley Capital International, Europe, Australian, and Far East Index)
- Lehman Intermediate Government Credit
- Lehman Aggregate
- Merrill Lynch Bb/B Index
- Merrill Lynch 91 day U.S. Treasury Bills
- Other indices, mutually agreed on by the Committee and the Investment Manager, which provide a better match for the Investment Manager's investment style or strategy.

The appropriate mix of indices associated with the League of Women Voters Education Fund's planned giving portfolio will be reflected in the performance reporting of the portfolio.

## VI. INVESTMENT GUIDELINES

### ASSET ALLOCATION TARGETS (Multi-State Charitable Gift Annuity Reserve)

The reserve portion of the fund will be invested pursuant to the state restrictions on charitable gift annuities. Issuance of gift annuities is governed by numerous states, and the most conservative approach as determined by the state restrictions ensures compliance in a charitable gift annuity pool. The amount of the reserve and the state restrictions are determined based on the profile of the gift annuitant pool using the applicable mortality tables and discount factors. The investment models are then developed as a result of the analysis of the latest applicable state regulations and the reserve amount.

Any funds designated by the board as "reserve" funds, but not subject to state restrictions, will be maintained within the same allowable ranges as the surplus fund.

### *ASSET ALLOCATION TARGETS (Charitable Gift Annuity Surplus and Charitable Remainder Trusts)*

The non-reserve or surplus portion of charitable gift annuity pool may be invested in any mix of equity and fixed income mutual funds. Charitable remainder trusts may also be invested in any mix of equity and fixed income mutual funds.

To achieve the investment objective, the surplus portion of the assets shall be allocated among a number of asset classes. These asset classes may include: core domestic equities, style specific domestic equities, small company equities, whether core or style specific, domestic fixed income securities, global fixed income securities, international equities and cash equivalents.

Since the League of Women Voters Education Fund currently does not have restricted states in the gift annuity pool, the **asset allocation of the charitable gift annuity reserve and surplus portfolio** will be maintained within the allowable ranges indicated below:

|                           | Ranges     | Normal |
|---------------------------|------------|--------|
| Cash Equivalents:         | 0% to 5%   | 0%     |
| Fixed Income Securities*: | 20% to 60% | 40%    |
| Equities:                 | 40% to 80% | 60%    |
| • Large Cap               | 30% to 50% | 36%    |
| • Small Cap/ Mid Cap      | 5% to 20%  | 14%    |
| • International           | 5% to 10%  | 10%    |

The **asset allocation of the charitable remainder trust portfolio** will be maintained within the allowable ranges indicated below:

|                           | Ranges     | Normal |
|---------------------------|------------|--------|
| Cash Equivalents:         | 0% to 5%   | 0%     |
| Fixed Income Securities*: | 25% to 45% | 40%    |
| Equities:                 | 55% to 75% | 60%    |
| • Large Cap               | 30% to 50% | 36%    |
| • Small Cap/Mid Cap       | 5% to 20%  | 14%    |
| • International           | 5% to 10%  | 10%    |

#### **ASSET ALLOCATION TARGETS (Pooled Income Fund Trust)**

The pooled income fund trust may be invested in any mix of fixed income and equity mutual funds with the primary purpose of generating income and capital appreciation.

To achieve the investment objective, the surplus portion of the assets shall be allocated among a number of asset classes. These asset classes may include: core domestic equities, style specific domestic equities, domestic fixed income securities, cash equivalents, and non-investment grade fixed income bonds through mutual funds.

The **asset allocation of the pooled income trust portfolio** will be maintained within the allowable ranges indicated below:

|                           | Ranges      | Normal |
|---------------------------|-------------|--------|
| Cash Equivalents:         | 0% to 5%    | 0%     |
| Fixed Income Securities*: | 50% to 100% | 80%    |
| Equities:                 | 0% to 50%   | 20%    |

\*In addition, the Committee may authorize the Investment Manager to deploy up to 10% of the Portfolio to Non-Investment Grade Fixed Income Bonds and 10% to Foreign Bonds through mutual funds.

#### **GENERAL ASSET ALLOCATION PARAMETERS**

The Committee recognizes that a rigid asset allocation would be both impractical and to some extent, undesirable under various market conditions. Therefore, the allocation of the League of Women Voters Education Fund's total planned giving assets may vary from time to time within the accepted ranges without being considered an exception to this investment policy. Acceptable range is within 500 basis points of the target. The League of Women Voters Education Fund instructs the Investment Manager to rebalance

its portfolio on a quarterly basis. In rebalancing, the Investment Manager will allocate assets back to the target allocation per portfolio.

The Investment Manager has no authority to substitute funds without soliciting and receiving approval from the committee.

**Permitted Investments:**

1. Cash Equivalents: all cash and equivalent investments shall be made with utmost concern for quality. Therefore, investments will be limited to U.S. Treasury bills, commercial paper rated P-I and insured certificates of deposit. Other securities that reflect similar quality as those described above including, but not limited to, money market mutual funds which meet such parameters, are permissible also.
2. Fixed Income: fixed income securities shall include securities issued by the U.S. government and its agencies and securities issued by U.S. corporations. The average quality of the League of Women Voters Education Fund's fixed income portfolio must be at least "A" rated. Fixed income mutual funds, which meet such parameters, are permissible.
3. Equities: equities shall include common stocks, preferred stocks, and bonds convertible into common stock. Adequate diversification shall be maintained within the purchased equity portfolio so that no single security comprises more than 5% of the total value of the equity portfolio. Donated stocks may be exempted from these criteria, at the discretion of the Committee. Mutual funds, which meet the investment parameters, including investment grade quality, are permissible.

**Prohibited Investments:**

The following categories of securities and other investment activity are not permitted for investment without the prior written approval of the Committee.

- Unregistered or restricted stock
- Commodities, precious metals or tangibles
- Private placements
- Initial public offerings (must have two year trading history)
- Uncovered options
- Futures trading
- Short selling
- Margin trading
- Letter Stock
- Venture capital

**VII. Policy Review and Modification**

Each year, the Committee will review the Investment Policy, investment objectives, benchmarks, asset allocation and restrictions for the League of Women Voters Education Fund. The Committee will also use its periodic investment performance evaluations as occasions to also consider whether any elements of the existing policy are either insufficient or inappropriate. In particular, the Committee will review the following:

- The League of Women Voters Education Fund 's ongoing ability to tolerate downturns in asset value (function of financial and cash flow considerations)
- Any changes in the League of Women Voters Education Fund 's liquidity requirements
- Any changes in the League of Women Voters Education Fund 's spending requirements
- Any changes in the League of Women Voters Education Fund 's rate of return objectives
- Changes in the League of Women Voters Education Fund 's priorities
- Areas found to be important but not covered by policy.

### **VIII. POLICY ADOPTION**

This investment policy was adopted by the Board of Trustees of the League of Women Voters Education Fund on:

January 29, 2006.



## **Evaluating Different Types of Investment Management Strategies**

Once you have determined your type of overall investment risk and profile, the next major decision is whether to invest on your own or by utilizing the services of a financial professional.

### **Advisor/Investor Relationship**

Advisor/investor relationships involve using a paid investment advisor to help provide information about and direction to an investment strategy. There are differing levels of service available for differing situations. Services can be paid for in a variety of means ranging from annual fees to sales charges to fee free arrangements. Generally speaking, full service advisors will offer a consolidated statement with most, if not all, investments together on one monthly or quarterly statement. Most companies offer a range of options/costs, partially determined by the types of products selected. An investment advisor is often used for investor with more money to invest, more complicated investment strategies or for less experienced investors. It may also be a good strategy for a group whose members may turn over fairly often so that the advisor can provide continuity of direction to new members.

### **Self Directed Investor**

Self directed investors purchase their own investments either directly or via a broker. Fees will range from fee-free to relatively expensive transaction fees or ongoing account fees, depending on the type of investment selected and the company involved. It is the investor's responsibility to consolidate statements and remain up-to-date on all investment decisions. There may or may not be paper statements automatically mailed. A self directed investor is often someone who is comfortable with investment and has the time and commitment to research appropriate investment options on an ongoing basis. This type of investor often has smaller, simpler investment goals or is willing to devote significant time to managing a larger portfolio.

The Investment Committee of the LWVMN Education Fund recommends that the board adopt an investment strategy of \_\_\_\_\_.

TO: Board

FROM: Beverly K. McKinnell, Treasurer

DATE: March 17, 1997

SUBJECT: 1. Stock Portfolios  
2. Financial Reports

1. At the January report of our stock portfolios by manager Roger Liddell, several questions were raised about the holdings and performance of these portfolios. After consultation with Becky, Judy and Greg, I contacted a friend, Timothy Sawyer, who is a broker, currently does not buy or sell, but does research and continuing education for his firm. I sent him the summary report Roger gave to us with the name of the organization blanked out. The attached memos are my questions to him and his responses.

Tim Sawyer found that our average return for the past five years was respectable; but that we rely less on one holding (Roper), and that we suggest greater diversification. I have conveyed to Roger Liddell that we want him to achieve more diversification.

On the telephone, Tim stated that a few large stocks such as Coca Cola drive the market, and that well diversified, a portfolio cannot possibly match that performance. Tim also told me we should ask for an explanation of the high commission of this past year. Roger's explanation of commission is also attached.

The National Center for Nonprofit Boards recommends that nonprofit organizations adopt investment policies to discharge their fiduciary responsibilities in a way that protects both the organization and its board members from investment liabilities. The executive committee will consider investment policies for our portfolios at its May 5 meeting.

2. The new yellow financial report to the board has been greatly condensed. This is an attempt to meet the needs of the board without adding another report, cost or staff time. The green report now has the pages that were deleted from the yellow report. The blue report has the restricted grant financials. If anyone needs or wants the full financial report (green) or grant reports (blue) please ask me for them. If you do/do not like this new yellow report, please return the sheet in the yellow report to me.

Attachments: A. Memo to Tim Sawyer  
B. Response from Tim Sawyer  
C. Roger Liddell letter and combined accounts summary

TO: Tim Sawyer  
FAX: 376-8348  
FROM: Beverly K. McKinnell *BMcK*  
FAX: 659-9493  
PHONE: 646-3690  
DATE: February 10, 1997  
PAGES: 2

Attached is the report that I spoke with you about. Some board members are concerned that:

1. that the % of gain in the last few years is less than that of the S&P 500.
2. that the stocks are not big blue chips
3. that the portfolio is concentrated in utilities and technology stocks.
4. that the portfolio has too big a reliance on one stock, Roper Industries, that has appreciated from 6, 7, 8, 9 to 39. It is now about 19% of the portfolio.

I would appreciate it greatly if you would look over this report and let me know if we should have cause for concern, or if this investment return and strategy is within acceptable boundaries.

Thank you very much.

To: Beverly McKinnell  
Fax: 659-9493

From: Tim Sawyer  
Fax: 376-8348  
Phone: 376-2843  
Date: February 11, 1997

Dear Beverly: Without reference to all the specific holdings in the account it is little more than conjecture on my part as to whether this account is performing in a respectable manner or not. Having said that, I can however make a few observations which may be useful to you.

- The average annual return for the U.S. capital markets for the last 75 years is 10.6%
- Your account's average, if I am reading the figures correctly, has a 5 year annual average of 16.62%
- The S&P's annualized average for this same 5 year period is 15.26%
- The Dow Jones Industrial Average for this 5 year period is 18.42%
- The Dow Jones 15 utilities 5 year rate of return is 1.4086 (!)
- The S&P Utility Sector 5 year rate of return is 15.1987 ( A much broader index than the previous one)
- Our figure for the ML Aggregate Bond Index is 3.63 for 1996

-Roper was trading at midday today at 40.25 and it has been as high as 52.75 in the last twelve months. In checking on Dow Jones news retrieval service for news on Roper there wasn't much other than that earnings estimates for the first quarter on 1997 were down because of late delivery of "control systems" to a company called GAZProm- which presumably would occur during the second quarter. The price/earnings ratio for Roper is 21.52 which is not out of line. It none-the-less seems imprudent to hold a disproportionate amount of the assets of the account in one holding. Perhaps you should suggest greater diversification.

While your account seems to have underperformed somewhat in 1996, the five year average is quite respectable. Many mutual funds and asset managers who had heavy weightings in technology issues had far poorer results than your manager for 1996. Indeed, with as many utilities as you say are in the account, I would say you did quite well.

Hope this proves useful in some manner,

Tim Sawyer



INGALLS & SNYDER LLC  
61 BROADWAY  
NEW YORK, NY 10006-2802

MEMBERS NEW YORK STOCK EXCHANGE  
MEMBERS AMERICAN STOCK EXCHANGE

TELEPHONE  
(212) 269-7800  
TELECOPIER  
(212) 269-7893

March 11, 1997

Beverly McKinnell  
2124 West Hoyt Avenue  
St. Paul, MN 55108

Dear Mrs. McKinnell:

Greg Leatherwood has told me of your inquiry, on behalf of a board member, regarding expenses charged to the League of Women Voters accounts. I am using the term "expenses" rather than commissions--which is how the expenses are actually charged--to denote that commissions pay for all expenses of servicing these accounts: custody, administrative, investment management as well as transaction costs. Contrast this "one-stop shopping" with more typical situations where custody and transaction costs are charged by banks and/or brokerage firms separately from investment management fees.

To put these costs in perspective, banks generally provide custody services for somewhere between 25 and 40 basis points; additional commission charges for "institutional" accounts would range somewhere between 5 and 10 cents a share. Unaddressed in this context of low per-share commissions is the quality of execution for over-the-counter stocks: did the client's transaction take place between the bid/asked quotes, or was it at the official bid/asked price, thereby allowing the brokers a trading profit in lieu of commission charges, most likely at greater cost to the client? (Ingalls & Snyder rarely makes a market in any stock and has never done so for an OTC holding in LWV portfolios.) All bond purchases and sales for the LWV accounts are done on an "agency" basis: no charges are hidden within a net price.

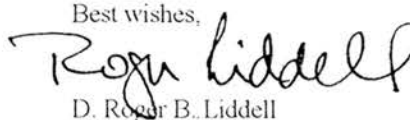
Investment management fees vary widely from perhaps 5/8% to as much as 3% per annum for a "WRAP" account (e.g. Merrill Lynch and a number of other firms). For clients such as LWV, a typical money manager's fee would be in the 3/4% to 1% per annum range. Mutual fund fees run the gamut from perhaps 1/4% for an index fund to 2% for international equity funds; domestic equity or balanced funds average around 1.4% per annum. Aggregating these costs puts the total burden well above the range charged by us over the years. (See attached data.)

Let me take this opportunity to consider the broader perspective. Since 1984 (when we started keeping detailed records) the LWV account has increased \$3,504,995 or 212% while the aggregate charges you have borne are only \$144,562. This works out to an average return of 16.4% per year and average commission charges of 0.42% per year. In the years that commissions were higher, we were instructed by Washington staff to liquidate stocks outright or to provide for withdrawals. With respect to administrative matters referred to in the first paragraph, these embrace such things as: handling stock gifts, with all associated paperwork, for commissions of \$25.00; the burden on Greg's staff and on the outside auditors reduced by having to do no reconciliations between statements of custodian and investment manager; being a resource to the Washington staff and the auditors; and my costs of travel to Washington each year.

I hope the above information does not represent overkill: the board member may have merely asked the specific question of how we calculate commissions. They are derived from a matrix of prices per share versus number of shares involved in the trade. Our commission rates resemble those of large, nationally-recognized brokerage firms; transactions for LWV accounts probably bear a commission charge of 1 to 1 1/2%. As is apparent from the long term performance data, our charges have been reasonable and the results have been more than satisfactory.

Please feel free to call me with any questions you or the Board may have.

Best wishes,

  
D. Roger B. Liddell

cc: Greg Leatherwood

# League of Women Voters - Combined Accounts

|                           | 1984        | 1985        | 1986        | 1987        | 1988        | 1989        | 1990        | 1991        | 1992        | 1993        | 1994        | 1995        | 1996        | 1984-1996   |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Beginning Balance         | \$1,653,212 | \$1,860,663 | \$2,493,502 | \$2,680,147 | \$2,211,415 | \$1,561,568 | \$1,293,435 | \$1,315,997 | \$1,384,181 | \$1,674,042 | \$2,340,779 | \$2,145,842 | \$2,583,746 | \$1,653,212 |
| Additions                 | 0           | 25,254      | 0           | 0           | 0           | 0           | 0           | 0           | 76,160      | 56,318      | 13,275      | 113,993     | 93,805      | 378,805     |
| Withdrawals               | 82,054      | 0           | 223,350     | 484,424     | 861,715     | 538,493     | 1,516       | 145,510     | 0           | 0           | 0           | 257,160     | 272,696     | 2,866,918   |
| Adj. Beginning Balance    | 1,571,158   | 1,885,917   | 2,270,152   | 2,195,723   | 1,349,700   | 1,023,075   | 1,291,919   | 1,170,487   | 1,460,341   | 1,730,360   | 2,354,054   | 2,002,675   | 2,404,855   | (834,901)   |
| Year End Value            | 1,860,663   | 2,493,502   | 2,680,147   | 2,211,415   | 1,561,568   | 1,293,435   | 1,315,997   | 1,384,181   | 1,674,042   | 2,340,779   | 2,145,842   | 2,583,746   | 2,670,094   | 2,670,094   |
| Gain or Loss              | 289,505     | 607,585     | 409,995     | 15,692      | 211,868     | 270,360     | 24,078      | 213,694     | 213,701     | 610,419     | (208,212)   | 581,071     | 265,238     | 3,504,995   |
| % Gain or Loss (Nominal)  | 18.4%       | 32.2%       | 18.1%       | 0.7%        | 15.7%       | 26.4%       | 1.9%        | 18.3%       | 14.6%       | 35.3%       | -8.8%       | 29.0%       | 11.0%       | 212.8%      |
| Benchmark (Nominal)       |             | 22.75%      | 18.59%      | -4.06%      | 9.59%       | 21.12%      | -0.11%      | 15.48%      | 7.67%       | 11.40%      | -1.89%      | 36.42%      | 17.66%      | 154.6%      |
| S&P 500 Total Return      | 6.10%       | 31.60%      | 18.60%      | 5.10%       | 16.60%      | 31.70%      | -3.10%      | 30.50%      | 7.62%       | 10.08%      | 1.29%       | 36.87%      | 22.96%      | 215.9%      |
| Alliance Capital Reserves | 9.50%       | 7.44%       | 6.04%       | 5.88%       | 6.74%       | 8.37%       | 7.45%       | 5.49%       | 3.29%       | 2.44%       | 3.29%       | 5.02%       | 4.47%       | 75.4%       |
| ML Domestic Bond Index    |             | 22.40%      | 15.20%      | 2.40%       | 8.00%       | 14.20%      | 9.10%       | 15.85%      | 7.58%       | 10.00%      | -2.82%      | 18.47%      | 3.60%       | 124.0%      |
| S&P 43 Utility Index      | 8.00%       | 19.00%      | 25.00%      | -14.00%     | 6.00%       | 33.00%      | -10.49%     | 11.86%      | 8.09%       | 14.44%      | -7.95%      | 42.03%      | 3.12%       | 138.1%      |
| Commissions Charged \$    | 12,939      | 15,509      | 20,041      | 6,487       | 13,848      | 11,609      | 4,911       | 5,756       | 8,410       | 9,337       | 6,630       | 7,229       | 21,856      | 144,562     |
| Commissions Charged %     | 0.70%       | 0.62%       | 0.75%       | 0.29%       | 0.89%       | 0.90%       | 0.37%       | 0.42%       | 0.50%       | 0.40%       | 0.31%       | 0.28%       | 0.82%       | 0.42%       |



League of Women Voters of Minnesota

**Investment Committee Meeting October 10, 1997, Minutes**

Present: Chair Beverly McKinnell, Kay Anderson, Sally Mullen, Cindy Berquist, Judy Duffy, Sally Sawyer, Jean Tews

**Sawyer reviewed Reserves as of 10/7/97.**

Education Fund accounts reviewed. Local League accounts are currently in passbook savings with telephone transfer. **Committee Recommendation:** put a core percentage into a Piper Jaffray money market account to gain interest but leave sufficient funds in telephone transfer in order to respond immediately to local League withdrawal requests..

Update of LWVMN accounts. **Committee Recommendation:** expand the Piper Jaffray range of accounts to include the LWVMN Reserve Account "Special Savings" and the Dean Witter fund. For Hope Washburn Fund now in a CD, select whatever gives the best return between CD or a Piper account, depending upon when the current CD matures.

**Invested Funds Policies**

New accounting rules do not use word "endowment" for quasi, board-directed funds. **Committee Recommendation:** Make changes on page 2 to eliminate the term "Quasi Endowment" from the title "Board Directed Reserves" for both LWVMN and LWVMNEF.

**Invested Funds (Description of and charge to the Investment Committee)**

**Committee Recommendation:** Under "Charge" eliminate bullet #4 concerning receiving duplicate confirmation.

**Gift Acceptance Policies**

Policies for LWVMN reviewed by committee. Staff was directed to change LWVMNEF Policies to reflect similar changes.

**Committee Recommendations:** Make following changes:

#5 1st paragraph "Delete Board designated"

#5 3rd paragraph Change "semi annual basis" to "at least annually."

#7 Change "Board-designated Endowment Fund and/or Reserve Fund" to "Board Directed Unrestricted Reserves".

#7 Copy 3rd paragraph from #5 and add to #7 as a second paragraph in #7.

Recommendation by McKinnell: \$10,000 minimum under #4 is probably OK for LWVMN funds but not large enough for LWVMNEF. Decision of this minimum amount for LWVMNEF should be made in connection with setting goals for the New Century Campaign.

**New Century Campaign/Strategic Planning**

Sawyer gave update. Inauguration of New Century Campaign has been delayed until we have completed a Strategic Planning process. McKnight Foundation provided a grant to hire a consultant. Expected completion date is Spring 1997. After completion, we will inaugurate the New Century Campaign.

Kay Anderson shared an article in *City Business*, Sept 1997, about David Tysk of American Express (her new son-in-law) as a possible pro bono investment advisor.

Unless an extremely large gift comes in sooner, the next meeting of the Investment Committee will take place in one year.

League of Women Voters of Minnesota Education Fund

**Invested Funds**

**The Investment Committee**

1. Membership:

The President shall appoint with Board approval five persons to serve on the League's Investment Committee. A majority shall be League members and at least two shall have professional investment experience.

2. Role:

The role of the committee is supervisory, rather than advisory. The Investment Manager will be delegated discretion with respect to investment decisions as long as they adhere to the general guidelines established by the Committee with Board approval.

3. Charge:

The Committee shall:

- Create and review annually, an Investment Policy Statement that is both prudent and consistent with the needs of the League;
- Select, monitor, and, if necessary, replace a professional investment manger who will work with the Committee to develop an investment strategy and a method of operation;
- Monitor investment results at least semi-annually, and report to the Board at least annually;
- ~~Receive duplicate confirmation of all transactions so that it may monitor individual actions on an ongoing basis;~~
- Create a written "history" of important investment events and considerations to be used by those who my come later.

may

Revised 10/10/97 by Investment Committee

League of Women Voters of Minnesota Education Fund

Gift Acceptance Policies  
Board Adopted 8/9/93

Revised per  
Investment Committee  
Instruction 10/10/97

1. Gifts of publicly traded securities shall be receipted as the number of shares transferred on the date received and sold as promptly as possible.
2. Gifts of real estate and hard-to-value assets shall be accepted at the discretion of the Board. A qualified independent appraisal and an environmental assessment may be required before board acceptance is considered.
3. Restricted gifts in excess of \$5,000 that have not been solicited by representatives of the League shall be accepted at the discretion of the Board to ensure their use is consistent with League Education Fund purposes and programs.
4. To name a fund requires a \$10,000 minimum contribution.
5. Donors interested in making permanent gifts of principal where only the income earned from investment is spend on an annual basis shall be encouraged to make gifts to the ~~Board designated~~ Endowment Fund of the League of Women Voters of Minnesota Education Fund.

Endowment gifts with income restricted to the following categories will be accepted with no minimum contribution required:

A local League's Education Fund;  
LWVMN Education Fund: Voters Service / Citizen Information,  
Current State Programs,  
Capital Improvements.

\* An Investment Committee appointed by the President and approved by the Board shall establish policies for and oversee the management of the Endowment Fund and report to the Board ~~on a~~ semi-annual basis. at least annually,

Income pay out from the Endowment Fund shall be according to guidelines established by the Board.

6. The League shall offer opportunities for donors to make gift agreements for the benefit of the League Education Fund that reserve income to themselves and / or other beneficiaries for life or a terms of years.

In general, the League Education Fund shall not serve as trustee of charitable remainder trusts or lead trusts; however, the Board may make exceptions on an individual basis.

The League shall encourage donors who wish to participate in charitable pooled income gifts for the benefit of the League of Women Voters of Minnesota Education Fund to use the Pooled Income Fund of the League of Women Voters of the U.S. or of The Saint Paul Foundation.

The League shall encourage donors who wish to participate in charitable gift annuities for the benefit of the League of Women Voters of Minnesota Education Fund to use the Gift Annuity Program of the League of Women Voters of the U.S. or of The Saint Paul Foundation.

Any gift agreement that carries any liability for the League Education Fund shall conform to all applicable federal and state laws, be reviewed by legal counsel and approved by the Board prior to the execution of the agreement.

Only personnel approved by the Board shall be authorized to negotiate with any donor in respect to any gift agreement that involves a legal or financial obligation on the part of the League Education Fund. The Executive Director and the President are specifically authorized to negotiate such agreements.

All gift agreements shall be signed by two persons authorized by the Board. All officers shall be authorized to sign; however, either the President or the Executive Director must be one of the signers.

7. Undesignated memorials, tributes, bequests, remaining assets of deferred gifts, or remainder gifts from LWVUS shall be place in the ~~Board-designated Endowment Fund and / or Reserve Fund of the League of Women Voters of Minnesota Education Fund.~~ Board Directed Unrestricted Reserves of the League of Women Voters of Minnesota Education Fund.

Copy \* to this section also

League of Women Voters of Minnesota

Gift Acceptance Policies  
Board Adopted 8/9/93

~~Revised~~  
Revised by Investment  
Committee 10/10/97

1. Gifts of publicly traded securities shall be receipted as the number of shares transferred on the date received and sold as promptly as possible.
2. Gifts of real estate and hard-to-value assets shall be accepted at the discretion of the Board. A qualified independent appraisal and an environmental assessment may be required before board acceptance is considered.
3. Restricted gifts in excess of \$5,000 that have not been solicited by representatives of the League shall be accepted at the discretion of the Board to ensure their use is consistent with League purposes and programs.
4. To name a fund requires a \$10,000 minimum contribution.
5. Donors interested in making permanent gifts of principal where only the income earned from investment is spend on an annual basis shall be encouraged to make gifts to the ~~Board-designated~~ Endowment Fund of the League of Women Voters of Minnesota.

Endowment gifts with income restricted to the following categories will be accepted with no minimum contribution required:

Action  
Field Service / Membership  
Staff Support  
Capital Improvements

\* An Investment Committee appointed by the President and approved by the Board shall establish policies for and oversee the management of the Endowment Fund and report to the Board ~~on a~~ ~~semi-annual basis.~~ at least annually.

Income pay out from the Endowment Fund shall be according to guidelines established by the Board.

6. The League shall offer opportunities for donors to make gift agreements for the benefit of the League that reserve income to themselves and / or other beneficiaries for life or a terms of years.

Any gift agreement that carries any liability for the League shall conform to all applicable federal and state laws, be reviewed by legal counsel and approved by the Board prior to the execution of the agreement.

Only personnel approved by the Board shall be authorized to negotiate with any donor in respect to any gift agreement that involves a legal or financial obligation on the part of the League. The Executive Director and the President are specifically authorized to negotiate such agreements.

All gift agreements shall be signed by two persons authorized by the Board. All officers shall be authorized to sign; however, either the President or the Executive Director must be one of the signers.

7. Undesignated memorials, tributes, bequests, or remaining assets of deferred gifts shall be placed in the ~~Board-designated Endowment Fund and / or Reserve Fund of the League of Women Voters of Minnesota.~~ *Board Directed Unrestricted Reserves of the League of Women Voters of Minnesota*  
Copy \* to this section also.



League of Women Voters of Minnesota  
League of Women Voters of Minnesota Education Fund

## INVESTMENT FUNDS POLICIES

Approved by Boards of  
LWVMNEF & LWVMN  
1/13/95

Revised by Investment  
Committee 10/01/97 to  
eliminate phrase  
"Quasi Endowment" on p. 2

### Mission Statements:

The League of Women Voters of Minnesota Education Fund works to encourage the active and informed participation of citizens in government and to increase understanding of major public policy issues.

The League of Women Voters of Minnesota, a nonpartisan political organization, encourages the informed and active participation of citizens in government and influences public policy through education and advocacy.

### LWVMN 501(c)(4) RESERVES

#### 1. Operating Funds

Short term savings and funds put aside at a higher rate of return than obtained through checking acct to pay anticipated expenses.

Goal: Establish a fund equal to 3 months operating funds (about \$45,000)

### Investment Objectives:

- a. liquidity
- b. maintain principal
- c. produce higher rate of return than checking

### Guidelines:

- a. Executive Director has authority to draw on accounts to meet operating expenses and shall report all transactions to an officer of the Board
- b. Interest is to be reinvested until goal is reached within the limits of Guideline a. (above)
- c. extraordinary and capital improvements can be allocated to either Operating Funds or Board Directed Reserves or both.

### LWVMNEF (501(c)(3) RESERVES

#### 1. Restricted Project Funds

Funds that are given for a specific program or project. Funds given in a lump sum may be placed in short term savings and funds.

Goal: Fully fund projects.

### Investment Objectives:

- a. maintain the initial cash value of all deposits
- b. liquidity
- c. produce higher rate of return than checking

### Guidelines:

- a. Executive Director has authority to draw on accounts to meet project expenses and show report to the Board.
- b. interest is reinvested in the short term whenever possible.

### LWVMN 501(c)(4) RESERVES

#### 2. Board Directed Reserves

##### (Quasi-Endowment)

Undesignated memorials, tributes, bequests, gifts or remaining assets of deferred gifts.

This pool of funds may be used at the discretion of the Board.

##### Goal:

Establish a fund that will provide support for LWVMN mission and program.

##### Investment Objectives:

- a. partial liquidity
- b. seek a reasonable balance between growth and maintenance of principal

##### Guidelines:

- a. interest and dividends that accrue until Board designates expenditure.
- b. principle remains in fund unless Board designates expenditure.

#### 3. Endowment Fund

Funds where the principal is donor restricted. Only interest and dividends may be spent.

##### Goal:

Establish a perpetual fund to ensure future financial stability of LWVMN.

### LWVMNEF 501(c)(3) RESERVES

#### 2. Board Directed Reserves

##### (Quasi-Endowment)

Undesignated memorials, tributes, bequests, gifts or remaining assets of deferred gifts.

This pool of funds may be used at the discretion of the Board.

##### Goal:

Establish a fund that will provide support for LWVMNEF mission and program.

##### Investment Objectives:

- a. partial liquidity
- b. seek a reasonable balance between growth and maintenance of principal

##### Guidelines:

- a. same as MN
- b. Same as MN

#### 3. Endowment Fund

Funds where the principal is donor restricted. Only interest and dividends may be spent.

##### Goal:

Establish a perpetual fund to ensure future financial stability of LWVMNEF.

LWVMN 501(c)(4) RESERVES

Endowment Continued

UNTIL \$100,000

Investment Objectives:

- a. preserve principal
- b. reinvest all interest and dividends
- c. seek a reasonable balance between growth and preservation of principal

Guidelines:

- a. the principal shall be preserved intact
- b. in case of emergency, the Board has the authority to draw on the interest

AFTER \$100,000

Investment Objectives

- a. preserve the principal
- b. reinvest dividends and interest for partial liquidity
- c. seek a reasonable balance between growth and preservation of principal

Guidelines:

- a. The principal shall be preserved intact.
- b. The Board has discretion to withdraw net income (interest, dividends and capital gains) assuming a rate of 3 1/2% or the current yearly net income, whichever is smaller.

LWVMNEF 501(c)(3) RESERVES

UNTIL \$100,000

Investment Objectives:

- a. preserve principal
- b. reinvest all interest dividends
- c. seek a reasonable balance between growth and preservation of principal

Guidelines:

- a. the principal shall be preserved intact
- b. in case of emergency, the Board has the authority to draw on the interest.

AFTER \$100,000

Investment Objectives

- a. preserve the principal
- b. reinvest dividends and interest for partial liquidity
- c. see a reasonable balance between growth and preservation of principal

Guidelines:

- a. The principal shall be preserved intact
- b. the Board has discretion to withdraw net income (interest, dividends and capital gains) assuming a rate of 3 1/2% or the current yearly net income, whichever is smaller.

LWVMN 501(c)(4) RESERVES

AFTER \$500,000

Investment Objectives

- a. preserve the principal
- b. reinvest dividends and interest for partial liquidity
- c. seek a reasonable balance between growth and preservation of principal

Guidelines:

- a. the Board may withdraw up to 50% of current net income that exceeds 3 1/2%.
- b. the Board has the discretion to withdraw up to 20% of accumulated year earnings.

LWVMNEF 501(c)(3) RESERVES

AFTER \$500,000

Investment Objectives

- a. preserve the principal
- b. reinvest dividends and interest for partial liquidity
- c. seek a reasonable balance between growth and preservation of principal

Guidelines:

- a. The Board may withdraw up to 50% of current net income that exceeds 3 1/2%.
- b. The Board has the discretion to withdraw up to 20% of accumulated prior year earnings.

Local League Accounts

Funds restricted to approved educational projects of local Leagues.

Goal: To fund local League educational projects

Objectives:

- a. to maintain the initial cash value of all deposits
- b. liquidity
- c. to produce returns that will cover LWVMNEF administrative costs of local League accounts.

## League of Women Voters of Minnesota

Investment Committee Meeting May 28, 1996

Present: Chair Beverly McKinnell, Kay Anderson, Sally Mullen, Cindy Berquist, Anne Borgen, Kay Erickson, Sally Sawyer, Jean Tews

**Sawyer reviewed LWVMN and LWVMNEF Reserves as of 4/30/96.**

Discussion ensued about combining all LWVMN Reserves into one money market account or consolidating the Edward D. Jones Fund and Dean Witter Fund into one CD. Some banks give better rates if customer has at least \$20,000 in account. However, significant charges are often leveled if account goes below \$20,000. Mullen suggested we ask our bank, Firststar, about special rates or special dispensation if account goes below \$20,000 because we are a non-profit. Several other smaller banks are eagerly looking for depositors and might give us better rates.

### **Local League accounts**

Recommendation to staff from McKinnell: Track use by Local Leagues of their Education Fund accounts.

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Kay Anderson gave out Guidelines for Accounting for Contributions.

Unless an extremely large gift comes in sooner, the next meeting of the Investment Committee will take place in one year.

## League of Women Voters of Minnesota Education Fund

### Invested Funds

#### The Investment Committee

##### 1. Membership:

The President shall appoint with Board approval five persons to serve on the League's Investment Committee. A majority shall be League members and at least two shall have professional investment experience.

##### 2. Role:

The role of the committee is supervisory, rather than advisory. The Investment Manager will be delegated discretion with respect to investment decisions as long as they adhere to the general guidelines established by the Committee with Board approval.

##### 3. Charge:

The Committee shall:

- Create and review annually, an Investment Policy Statement that is both prudent and consistent with the needs of the League;
- Select, monitor, and, if necessary, replace a professional investment manager who will work with the Committee to develop an investment strategy and a method of operation;
- Monitor investment results at least semi-annually, and report to the Board at least annually;
- ~~- Receive duplicate confirmation of all transactions so that it may monitor individual actions on an ongoing basis;~~
- Create a written "history" of important investment events and considerations to be used by those who may come later.



## INVESTMENT FUNDS POLICIES

### Mission Statements:

The League of Women Voters of Minnesota Education Fund works to encourage the active and informed participation of citizens in government and to increase understanding of major public policy issues.

The League of Women Voters of Minnesota, a nonpartisan political organization, encourages the informed and active participation of citizens in government and influences public policy through education and advocacy.

### LWVMN 501(c)(4) RESERVES

#### 1. Operating Funds

Short term savings and funds put aside at a higher rate of return than obtained through checking acct to pay anticipated expenses.

Goal: Establish a fund equal to 3 months operating funds (about \$45,000)

### Investment Objectives:

- a. liquidity
- b. maintain principal
- c. produce higher rate of return than checking

### Guidelines:

- a. Executive Director has authority to draw on accounts to meet operating expenses and shall report all transactions to an officer of the Board
- b. Interest is to be reinvested until goal is reached within the limits of Guideline a. (above)
- c. extraordinary and capital improvements can be allocated to either Operating Funds or Board Directed Reserves or both.

### LWVMNEF (501(c)(3) RESERVES

#### 1. Restricted Project Funds

Funds that are given for a specific program or project. Funds given in a lump sum may be placed in short term savings and funds.

Goal: Fully fund projects.

### Investment Objectives:

- a. maintain the initial cash value of all deposits
- b. liquidity
- c. produce higher rate of return than checking

### Guidelines:

- a. Executive Director has authority to draw on accounts to meet project expenses and show report to the Board.
- b. interest is reinvested in the short term whenever possible.

## LWVMN 501(c)(4) RESERVES

### 2. Board Directed Reserves

~~(Quasi Endowment)~~

Undesignated memorials, tributes, bequests, gifts or remaining assets of deferred gifts.

This pool of funds may be used at the discretion of the Board.

#### Goal:

Establish a fund that will provide support for LWVMN mission and program.

#### Investment Objectives:

- a. partial liquidity
- b. seek a reasonable balance between growth and maintenance of principal

#### Guidelines:

- a. interest and dividends that accrue until Board designates expenditure.
- b. principle remains in fund unless Board designates expenditure.

### 3. Endowment Fund

Funds where the principal is donor restricted.  
Only interest and dividends may be spent.

#### Goal:

Establish a perpetual fund to ensure future financial stability of LWVMN.

## LWVMNEF 501(c)(3) RESERVES

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#### Goal:

Establish a fund that will provide support for LWVMNEF mission and program.

#### Investment Objectives:

- a. partial liquidity
- b. seek a reasonable balance between growth and maintenance of principal

#### Guidelines:

- a. same as MN
- b. Same as MN

### 3. Endowment Fund

Funds where the principal is donor restricted.  
Only interest and dividends may be spent.

#### Goal:

Establish a perpetual fund to ensure future financial stability of LWVMNEF.

LWVMN 501(c)(4) RESERVES

Endowment Continued

UNTIL \$100,000

Investment Objectives:

- a. preserve principal
- b. reinvest all interest and dividends
- c. seek a reasonable balance between growth and preservation of principal

Guidelines:

- a. the principal shall be preserved intact
- b. in case of emergency, the Board has the authority to draw on the interest

AFTER \$100,000

Investment Objectives

- a. preserve the principal
- b. reinvest dividends and interest for partial liquidity
- c. seek a reasonable balance between growth and preservation of principal

Guidelines:

- a. The principal shall be preserved intact.
- b. The Board has discretion to withdraw net income (interest, dividends and capital gains) assuming a rate of 3 1/2% or the current yearly net income, whichever is smaller.

LWVMNEF 501(c)(3) RESERVES

UNTIL \$100,000

Investment Objectives:

- a. preserve principal
- b. reinvest all interest dividends
- c. seek a reasonable balance between growth and preservation of principal

Guidelines:

- a. the principal shall be preserved intact
- b. in case of emergency, the Board has the authority to draw on the interest.

AFTER \$100,000

Investment Objectives

- a. preserve the principal
- b. reinvest dividends and interest for partial liquidity
- c. see a reasonable balance between growth and preservation of principal

Guidelines:

- a. The principal shall be preserved intact
- b. the Board has discretion to withdraw net income (interest, dividends and capital gains) assuming a rate of 3 1/2% or the current yearly net income, whichever is smaller.

LWVMN 501(c)(4) RESERVES

AFTER \$500,000

Investment Objectives

- a. preserve the principal
- b. reinvest dividends and interest for partial liquidity
- c. seek a reasonable balance between growth and preservation of principal

Guidelines:

- a. the Board may withdraw up to 50% of current net income that exceeds 3 1/2%.
- b. the Board has the discretion to withdraw up to 20% of accumulated year earnings.

LWVMNEF 501(c)(3) RESERVES

AFTER \$500,000

Investment Objectives

- a. preserve the principal
- b. reinvest dividends and interest for partial liquidity
- c. seek a reasonable balance between growth and preservation of principal

Guidelines:

- a. The Board may withdraw up to 50% of current net income that exceeds 3 1/2%.
- b. The Board has the discretion to withdraw up to 20% of accumulated prior year earnings.

Local League Accounts

Funds restricted to approved educational projects of local Leagues.

Goal: To fund local League educational projects

Objectives:

- a. to maintain the initial cash value of all deposits
- b. liquidity
- c. to produce returns that will cover LWVMNEF administrative costs of local League accounts.

---

## DRAFT GOALS

|                                     |  |
|-------------------------------------|--|
| <b>MEMBERSHIP</b>                   | Diversify and expand the membership to be <i>more reflective of the population of Minnesota</i> .  |
| <b>VISIBILITY/IMAGE</b>             | <p>Become <i>recognized</i> and respected as the leading <i>grassroots</i> public policy organization in Minnesota.</p> <p>Build understanding and awareness of the two sides of League -- voting services and public policy.</p>  |
| <b>FINANCIAL</b>                    | Diversify and increase funding to adequately support the League initiatives in the five years to come.   |
| <b>PUBLIC POLICY</b>                | <p>Become a vital, action-oriented model for citizen participation in Minnesota.</p> <p>Empower citizens in Minnesota to take an active role in shaping strong, inclusive communities throughout the state.</p>  |
| <b>ORGANIZATIONAL<br/>STRUCTURE</b> | <p>Recommit to the service and empowerment of local Leagues.</p> <p>Create a singular identity among local, state and national League organizations, and the Education Fund.</p>   |
| <b>ORGANIZATIONAL<br/>CULTURE</b>   | <p>Emphasize and promote core League values of consensus-building, thoughtful study of issues, focus on the public good. Restore the "fun" and intellectual stimulation of talking about issues.</p> <p>Clarify and convey the League "style" -- an articulate, balanced approach to issue study and advocacy which respects diverse opinions.</p> |

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## FINANCIAL OBJECTIVES

- DIVERSIFICATION** Diversify the state League's funding sources beyond dues, grants, publication sales, contributions and events to create stability and adequately fund League initiatives in the decade to come.
- EARNED REVENUES** Increase total earned revenues from \$ \_\_\_\_\_ in 1997 to \$ \_\_\_\_\_ by 2002; increase total contributed revenues from \$ \_\_\_\_\_ to \$ \_\_\_\_\_.
- GRANT INCOME** Increase the amount of grant income secured for programs and operations from \$ \_\_\_\_\_ in 1997 to \$ \_\_\_\_\_ in 2002.
- PLANNED GIVING** Greatly expand the planning giving initiative to provide a \$ \_\_\_\_\_ annual income stream, beginning in 20\_\_\_\_.
- ENDOWMENT** Fund the League's Education Fund endowment and technology needs through the successful completion of a \$ \_\_\_\_\_ "New Century" campaign in 2000.
- STAFFING** Increase to size of staff and make salary levels competitive.
- ADVOCACY FUNDING** Increase the level and sources of financing of LWVMN to support membership services and advocacy programs.



| LNAME          | FNAME     | LWV                    | ADDRESS                  | CITY         | ST | ZIP       | PHONE       |
|----------------|-----------|------------------------|--------------------------|--------------|----|-----------|-------------|
| Berquist       | Cindy     | Northfield             | 1501 Lia Dr              | Northfield   | MN | 55057     | 507/663-081 |
| Boche          | Laurie    | ROMAFH                 | 485 Grandview Ave N      | Roseville    | MN | 55113     | 612/484-323 |
| Bong           | Carolyn   | White Bear/North Oaks  | 9 Hawk Ln                | North Oaks   | MN | 55127     | 612/481-814 |
| Borgen         | Anne      | Golden Valley          | 1811 Pennsylvania Ave N  | Minneapolis  | MN | 55427-401 | 612/545-707 |
| Dougher        | Vera      | Rochester              | 633 Woodhaven Ct NE      | Rochester    | MN | 55906     | 507/252-156 |
| Duffy          | Judy      | Mahtomedi Area         | 505 Lake                 | Birchwood    | MN | 55110     | 612/429-970 |
| Erickson       | Kay       | MEPH                   | 6000 Wyngate Ln          | Minnetonka   | MN | 55343     | 612/934-299 |
| Farm           | Jacquelyn | White Bear/North Oaks  | 6209 Centerville Rd      | Hugo         | MN | 55038     | 612/426-883 |
| Gerster        | Cathy     | Woodbury/Cottage Grove | 1581 Jewel Dr            | Woodbury     | MN | 55125     | 612/739-110 |
| Guttormsson    | Rosemary  | Duluth                 | 3715 Greysolon Rd        | Duluth       | MN | 55804-203 | 218/728-403 |
| Hittler Grover | Anne      |                        | 510 N. Chestnut St #203  | Chaska       | MN | 55318     |             |
| Hoehne         | Amy       | Minneapolis            | 5615 Grand Ave S         | Minneapolis  | MN | 55419     | 612/866-343 |
| Hondl          | Connie    | Edina                  | 5209 Tifton Dr           | Edina        | MN | 55439     | 612/944-122 |
| Kelly          | Rosemarie | Minneapolis            | 2512 Garfield St NE      | Minneapolis  | MN | 55418     |             |
| Krieg          | Cynthia   | MEPH                   | 14359 Valley View Rd #C  | Eden Prairie | MN | 55344     | 612/934-779 |
| Pohlig         | Kathleen  | Alexandria             | 5388 E Lake Carlos Dr NE | Alexandria   | MN | 56308     | 320/846-103 |
| Saline         | Elaine    | St. Paul               | 264 E Sidney             | St Paul      | MN | 55107     | 612/227-247 |
| Seymour        | Ann       | Red Wing               | 29562 Orchard Rd         | Red Wing     | MN | 55066-616 | 612/388-041 |
| Walz           | Jeanne    | ROMAFH                 | 603 Riverside Ct Box 606 | North Branch | MN | 55056-060 | 612/674-258 |

# *FutureTrek* Survey

League members, community leaders and prospective League members from around the state are being asked to complete the following survey this month as part of LWVMNEF's strategic long-range planning process called *FutureTrek*. The survey is designed as a barometer of member and public perceptions of League. The results will be used to set specific, measurable goals for improvement in the areas of membership growth, visibility, financial stability, public policy efficacy and organizational structure over the next five years.

Like every League initiative, the *FutureTrek* planning process relies on a disciplined study process, broad-based participation and creative problem-solving. It is being directed by a taskforce of League members from throughout the state and an outside consultant. Building on past strategic planning efforts and the national planning process currently underway, the taskforce has been meeting since June to gather information and shape the parameters of the plan. Before the body of the plan can be written, it needs the following information:

- an understanding of how League is perceived by its members and the communities it serves, and
- an accurate demographic profile of current LWVMN membership.

In addition to distribution in *The Voter*, the survey is being sent to every local League president in Minnesota. They are being asked to pass copies along to non-League opinion leaders in their communities. The opinions of major public policy organizations, non-League members, media and college students will also be solicited.

Please take a few minutes to complete the survey and send it back to the state League office by no later than October 15. Completed surveys will be tabulated with the help of an independent research intern, and all responses will be kept confidential.

If you have questions or suggestions for the *FutureTrek* taskforce, call project chair Kay Erickson at 612-934-2991. Thank you in advance for your willingness to participate.

Thank you for sharing your opinions with us. Please return your completed survey by October 15, 1997 to:

*fold in thirds here, tape bottom, mail in* \_\_\_\_\_

Affix  
Stamp  
Here

League of Women Voters of MN Education  
Fund  
550 Rice Street  
St. Paul, MN 55103

|                                      |                  |                 |              |                  |           |
|--------------------------------------|------------------|-----------------|--------------|------------------|-----------|
| d. Ethnicity                         | African American | Native American | Asian        | Latino/ Hispanic | Caucasian |
| e. Marital Status                    | Single           | Married         | Divorced     | Widowed          |           |
| f. Employment                        | Full-time        | Part-time       | Not Employed | Student          | Retired   |
| g. Number of Children Living at Home | None             | 1               | 2            | 3                | 4+        |
| h. Household Income                  | under \$20M      | \$21-39M        | \$40-59M     | \$60-79M         | \$80M+    |
| j. Political Affiliation             | DFL              | Repub.          | Independ.    | Reform           | Other     |
| k. Zip Code                          | <hr/>            |                 |              |                  |           |

**6. Please indicate your level of personal involvement with League:**

|  |                |               |                      |                 |                             |
|--|----------------|---------------|----------------------|-----------------|-----------------------------|
| a. Membership Status<br><i>(If you have never been a member of League, please skip to question 7.)</i> | Current Member | Past Member   | Married to Member    | Not a Member    |                             |
| b. Total Years of Membership   | First year     | 2-5 yrs       | 6-15 yrs             | 16-25 yrs       | 26+ yrs                     |
| c. Current areas of involvement <i>(Circle all that apply)</i>   | Board Member   | Only pay Dues | Only Attend Meetings | Read Newsletter | Study or Project Committees |

**7. Please write any additional comments or suggestions.**

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**League of Women Voters of MN Education Fund**  
**550 Rice Street**  
**St. Paul, MN 55103**

# **LWVMNEF Reserves**

|      |   |                    |
|------|---|--------------------|
| 9/15 | <b>Permanent Endowment</b><br>(Firststar, 3 yr CD<br>5.92% - 27 months: 5/6/97) | <b>\$25,052.76</b> |
| 10/7 | <b>Board Directed Endowment</b><br>(Passbook savings, Firststar)                | <b>\$12,107.69</b> |
| 10/7 | <b>Local League Accounts</b><br>(Passbook savings, Firststar)                   | <b>\$29,645.87</b> |
| 10/7 | <b>Piper Money Markets</b>  |                    |
|      | <b>Indians book</b>   | <b>\$39,337.88</b> |
|      | <b>Tech/LRP</b><br>( <b>\$10,000 Tech; 5,962.26 LRP</b> )                       | <b>15,962.26</b>   |
|      | <b>Building Better Communities</b>  | <b>9,406.02</b>    |
|      | <b>Elementary Education</b>   | <b>3,068.81</b>    |

# League of Women Voters of Minnesota

## Gift Acceptance Policies Board Adopted 8/9/93

1. Gifts of publicly traded securities shall be receipted as the number of shares transferred on the date received and sold as promptly as possible.
2. Gifts of real estate and hard-to-value assets shall be accepted at the discretion of the Board. A qualified independent appraisal and an environmental assessment may be required before board acceptance is considered.
3. Restricted gifts in excess of \$5,000 that have not been solicited by representatives of the League shall be accepted at the discretion of the Board to ensure their use is consistent with League purposes and programs.
4. To name a fund requires a \$10,000 minimum contribution.
5. Donors interested in making permanent gifts of principal where only the income earned from investment is spent on an annual basis shall be encouraged to make gifts to the ~~Board-designated~~ Endowment Fund of the League of Women Voters of Minnesota.

Endowment gifts with income restricted to the following categories will be accepted with no minimum contribution required:

Action  
Field Service / Membership  
Staff Support  
Capital Improvements

An Investment Committee appointed by the President and approved by the Board shall establish policies for and oversee the management of the Endowment Fund and report to the Board ~~on a~~ *at least* semi-annual basis.

Income pay out from the Endowment Fund shall be according to guidelines established by the Board.

6. The League shall offer opportunities for donors to make gift agreements for the benefit of the League that reserve income to themselves and / or other beneficiaries for life or a terms of years.

Any gift agreement that carries any liability for the League shall conform to all applicable federal and state laws, be reviewed by legal counsel and approved by the Board prior to the execution of the agreement.

Only personnel approved by the Board shall be authorized to negotiate with any donor in respect to any gift agreement that involves a legal or financial obligation on the part of the League. The Executive Director and the President are specifically authorized to negotiate such agreements.

All gift agreements shall be signed by two persons authorized by the Board. All officers shall be authorized to sign; however, either the President or the Executive Director must be one of the signers.

7. Undesignated memorials, tributes, bequests, or remaining assets of deferred gifts shall be placed in the Board-designated Endowment Fund and / or Reserve Fund of the League of Women Voters of Minnesota.

*Directed unrestricted Reserves,  
An investment Committee.*



League of Women Voters of Minnesota  
Planned Giving Program  
Standards of Conduct / Ethical Guidelines

**Mission:** to secure permanent, major funding for the League of Women Voters of Minnesota through gifts by bequest, deferred gift agreements, and current gifts to an endowment. The Endowment Fund of the League is an essential element of dependable, long-term financial support.

**Objectives:**

1. Offer supporters opportunities to extend influence into the future of the League through philanthropic and financial planning.
2. Provide a wide variety of giving methods to meet the needs of potential donors that will benefit donors, their heirs, and the League.
3. Provide a service of information to motivate friends to accomplish financial objectives for themselves, their heirs, and the League.

**Standards of Practice:**

1. The desire on the part of the donor to support the work of the League is the principal basis for encouraging charitable gifts.
2. The interests of the donor come before ours. Representatives of the League shall refrain from using any type of pressure techniques when dealing with prospects or donors. The role of such representatives is to inform, serve, guide, or otherwise assist the donor in fulfilling philanthropic wishes, but never to pressure or unduly persuade.

All personnel employed by the League to administer or promote planned giving are paid a salary or fixed wage and do not receive any type of commission.

3. This program is a service of information and education regarding planned giving opportunities for interested persons. It includes information on the legal and tax implications of charitable giving, but does not provide a legal or tax advisory service.

All prospective donors are advised in writing to seek the counsel of their own attorney and other advisors

4. We will seek the advice of legal counsel in matters pertaining to planned giving, and not execute any agreement, contract, trust or other legal document with any donor without the advice of legal counsel.
5. All information regarding donors and prospective donors will be kept confidential unless permission is obtained in writing to release such information.
6. All planned gifts shall be set up to respect the wishes of the donor. The League will accept restricted gifts as long as their use is consistent with our purposes and programs. Upon acceptance of such restricted gifts, the League will ask donors to include a written authorization and consent indicating that if and when the use is obsolete or no longer relevant, the gift may be used for the general purposes of the League.
7. We shall provide resources to ensure a full and effective planned giving program including staffing, professional counsel, and continuing educational opportunities.

## League of Women Voters of Minnesota

Investment Committee Meeting May 28, 1996

Present: Chair Beverly McKinnell, Kay Anderson, Sally Mullen, Cindy Berquist, Anne Borgen, Kay Erickson, Sally Sawyer, Jean Tews

**Sawyer reviewed LWVMN and LWVMNEF Reserves as of 4/30/96.**

Discussion ensued about combining all LWVMN Reserves into one money market account or consolidating the Edward D. Jones Fund and Dean Witter Fund into one CD. Some banks give better rates if customer has at least \$20,000 in account. However, significant charges are often leveled if account goes below \$20,000. Mullen suggested we ask our bank, Firststar, about special rates or special dispensation if account goes below \$20,000 because we are a non-profit. Several other smaller banks are eagerly looking for depositors and might give us better rates.

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*Invest Att*

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THE LEAGUE  
OF WOMEN VOTERS  
MINNESOTA EDUCATION FUND

550 RICE STREET ST. PAUL, MN 55103 PHONE (612) 224-5445

*LWV  
Investments*

**PRESIDENT**

Kay Erickson

**ADVISORY BOARD**

Margaret Bracken

Ralph Burnet  
Chairman & CEO  
Burnet Realty Inc.

Ned Crosby  
Chair  
Jefferson Center

Honorable Sandra Gardebring  
Associate Justice  
Minnesota Supreme Court

Isabel Gomez  
Judge  
Hennepin County District Court

Gloria Griffin  
Coordinator  
Minnesota Women's Consortium

Honorable Joan Anderson Growe  
Secretary of State

Roger L. Hale  
President & CEO  
TENNANT

Jean L. Harris, M.D.  
Senior Associate Director &  
Director of Medical Affairs  
University of Minnesota  
Hospital and Clinic

Nils Hasselmo  
President  
University of Minnesota

Josie R. Johnson  
Associate Vice President for  
Academic Affairs and  
Associate Provost  
University of Minnesota

Peggy Lucas  
Partner  
Brighton Development Corp.

Vivian Jenkins Nelsen  
President and CEO  
International Institute for  
Interracial Interactions:  
INTER-RACE

Arend J. Sandbulte  
Chairman & President  
Minnesota Power

G. Edward Schuh  
Professor & Dean  
Hubert H. Humphrey  
Institute of Public Affairs  
University of Minnesota

Robert R. Waller, M.D.  
President, CEO  
Mayo Foundation

Harold Wick  
General Manager  
Northwest Region  
Northern States Power Company

Laura Waterman Wittstock  
President  
MIGIZI Communications, Inc.

To: Local Leagues, Donors, Members, Board, Staff  
From: Sally Sawyer, Executive Director  
Re: Procedure for Handling Gifts of Stock to LWVMNEF  
Date: December 28, 1994

Recently the LWVMNEF has received several gifts of stock. Some of these gifts are intended to benefit local Leagues which have accounts with LWVMNEF and some are intended to support either the state League Education Fund's Endowment funds or have been earmarked for special purposes. This is a good time to establish a procedure for the handling of these gifts of stock as we will probably receive many more such gifts because of activities surrounding the 75th Anniversary of the League.

LWVMNEF has established an "LWV Stock Gifts" account with Piper Jaffray for the purpose of receiving these gifts of stock. For the donor to receive full tax benefits, it is important for the donor to transfer the stocks to the League of Women Voters of Minnesota Education Fund, preferably through its Piper Jaffray account.

1. Donor should call Sally Sawyer (or Jean Tews or Georgeann Hall) at the LWVMNEF office (612-224-5445) to notify LWVMNEF that a gift of stock will be made and to obtain LWVMNEF's account name and number at Piper Jaffray, as well as PJ's "DTC" number.
2. Donor should give this information to his/her broker so that shares can be transferred to "the League of Women Voters of Minnesota Education Fund" and wired or delivered to Piper Jaffray.
3. Once the shares are in the PJ account they will be sold immediately with the proceeds distributed according to donor direction (i.e., local League account, special project, Endowment, Board directed Endowment).
4. LWVMNEF will write a letter of acknowledgement for the gift to the donor.

This procedure is intended to ensure tax benefits for the donor (tax deductibility of the gift and avoidance of capital gains on appreciated stock) and to establish a "paper trail" to document the gift.

Please contact me at the state League office should you have questions or comments.

\*\*\*\*\* TX REPORT \*\*\*\*\*

\* \* \*

Jan.05 1995 1:29PM \*

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\* RECEIVING FACSIMILE MODE PAGES START TIME USAGE TIME RESULT \*

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January 5, 1995

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| Post-It™ brand fax transmittal memo 7671 |                                | # of pages ▶ 5 |
| To                                       | Jean Tews                      |                |
| From                                     | B. McKinnell                   |                |
| Co.                                      | LWVMN                          |                |
| Dept.                                    | please copy for committee too! |                |
| Phone #                                  | 646-3690                       |                |
| Fax #                                    | 659-9493                       |                |

*thanks,*

TO: Kay Erickson and the LWVMN and LWVMNEF Boards of Directors

FROM: Beverly McKinnell, Chair  
LWVMN and LWVMNEF Investment Committee

SUBJECT: Investment Policies

The Investment Committee recommends that the Boards of the LWVMN and the LWVMNEF adopt the attached investment policies that pertain to each organization.

Background:

The Investment Committee is comprised of Kay Anderson, Confidante Estate and Tax Services; Sally Mullen, Vice President, Personal Trust Administration, First Trust N.A.; Anne Borgen; Trudell Een (replaced by Bonnie Kallestad); Kay Erickson, *ex officio*; and Beverly McKinnell, chair; and staff, Sally Sawyer and Jean Tews.

Our first charge was to create an investment policy statement that is both prudent and consistent with the needs of the League. We met regularly from July to December, had the initial assistance of Sally Patterson, consultant, and carefully considered each proposed goal, objective and guideline through 4 drafts.

The following questions were asked of Sally Patterson, and are included here for your background information as we found them useful in considering policies:

1. How to treat capital gains (as principal or income?)  
In an endowment, only the historical value of the principal must be maintained. So capital gains should be treated as income.
2. How to treat capital losses?  
Capital losses in an endowment fund have to be made up for donor intent to be fulfilled.
3. How to treat accumulated income from prior years (principal or additional available income which the board could decide to use?)  
Additional available income because of the answer to #1

I thank the committee for their work and look forward to working with them as we continue to address the 4 additional charges to the committee.



## INVESTMENT FUNDS POLICIES

### Mission Statements:

The League of Women Voters of Minnesota Education Fund works to encourage the active and informed participation of citizens in government and to increase understanding of major public policy issues.

The League of Women Voters of Minnesota, a nonpartisan political organization, encourages the informed and active participation of citizens in government and influences public policy through education and advocacy.

### LWVMN 501(c)(4) RESERVES

#### **1. Operating Funds**

Short term savings and funds put aside at a higher rate of return than obtainable through checking acct to pay anticipated expenses.

Goal: Establish a fund equal to 3 months operating funds (about \$45,000)

#### Investment Objectives:

- a. liquidity
- b. maintain principal
- c. produce higher rate of return than checking

#### Guidelines:

- a. Executive Director has authority to draw on accounts to meet operating expenses and shall report all transactions to an officer of the Board.
- b. interest is to be reinvested until goal is reached within the limits of Guideline a. (above)
- c. extraordinary and capital improvements can be allocated to either Operating Funds or Board Directed REServes or both.

### LWVMNEF 501(c)(3) RESERVES

#### **1. Restricted Project Funds**

Funds that are given for a specific program or project. Funds given in a lump sum may be placed in short term savings and funds.

Goal: Fully fund projects.

#### Investment Objectives:

- a. maintain the initial cash value of all deposits
- b. liquidity
- c. produce higher rate of return than checking

#### Guidelines:

- a. Executive Director has authority to draw on accounts to meet project expenses.
- b. interest is reinvested in the short term whenever possible

**LWVMN 501(c)(4) RESERVES**

**2. Board Directed Reserves  
(Quasi Endowment)**

Undesignated memorials, tributes,

bequests, gifts or remaining assets of deferred gifts. This pool of funds may be used at the discretion of the Board.

Goal: Establish a fund that will provide support for LWVMN mission and program.

Investment Objectives:

- a. partial liquidity
- b. seek a reasonable balance between growth and maintenance of principal

Guidelines:

- a. interest and dividends shall accrue until Board designates expenditure.
- b. principal remains in fund unless Board designates expenditure.

**3. Endowment Fund**

Funds where the principal is donor restricted. Only interest and dividends may be spent.

Goal: Establish a perpetual fund to ensure future financial stability of LWVMN.

**LWVMNEF 501(c)(3)  
RESERVES**

**2. Board Directed Reserves  
(Quasi Endowment)**

Undesignated memorials, tributes,

bequests, gifts or remaining assets of deferred gifts. This pool of funds may be used at the discretion of the Board.

Goal: Establish a fund that will provide support for LWVMNEF mission and program.

Investment Objectives:

- a. partial liquidity
- b. seek a reasonable balance between growth and maintenance of principal

Guidelines:

- a. same as MN
- b. same as MN

**3. Endowment Fund**

Funds where the principal is donor restricted. Only interest and dividends may be spent.

Goal: Establish a perpetual fund to ensure future financial stability of LWVMNEF.

LWVMN 501(c)(4) RESERVES

Endowment continued

**UNTIL \$100,000**

Investment Objectives:

- a. preserve principal
- b. reinvest all interest and dividends
- c. seek a reasonable balance between growth and preservation of principal

Guidelines

- a. the principal shall be preserved intact
- b. In case of emergency, the Board has the authority to draw on the interest

**AFTER \$100,000**

Investment Objectives

- a. preserve the principal
- b. reinvest dividends and interest for partial liquidity
- c. seek a reasonable balance between growth and preservation of principal

Guidelines:

- a. The principal shall be preserved intact.
- b. The Board has discretion to withdraw net income (interest, dividends and capital gains) assuming a rate of 3-1/2% or the current yearly net income, whichever is smaller.

LWVMNEF 501(c)(3) RESERVES

**UNTIL \$100,000**

Investment Objectives:

- a. preserve principal
- b. reinvest all interest & dividends
- c. seek a reasonable balance between growth and preservation of principal

Guidelines

- a. the principal shall be preserved intact
- b. in case of emergency, the Board has the authority to draw on the interest

**AFTER \$100,000**

Investment Objectives

- a. preserve the principal
- b. reinvest dividends and interest for partial liquidity
- c. seek a reasonable balance between growth and preservation of principal

Guidelines:

- a. The principal shall be preserved intact
- b. the board has discretion to withdraw net income (interest, dividends and capital gains) assuming a rate of 3-1/2% or the current yearly net income, whichever is smaller.

LWVMN 501(c)(4) RESERVES

**AFTER 500,000**

Investment Objectives

- a. preserve the principal
- b. reinvest dividends and interest for partial liquidity
- c. seek a reasonable balance between growth and preservation of principal

Guidelines

- a. the board may withdraw up to 50% of current net income that exceeds 3-1/2%.
- b. the board has the discretion to withdraw up to 20% of accumulated year earnings.

LWVMNEF 501(c)(3) RESERVES

**AFTER 500,000**

Investment Objectives

- a. preserve the principal
- b. reinvest dividends and interest for partial liquidity
- c. seek a reasonable balance between growth and preservation of principal

Guidelines

- a. The Board may withdraw up to 50% of current net income that exceeds 3-1/2%.
- b. The board has the discretion to withdraw up to 20% of prior accumulated prior year earnings.

**4. Local League Accounts**

Funds restricted to approved educational projects of local Leagues.

Goal: To Fund local League educational projects

Objectives:

- a. to maintain the initial cash value of all deposits
- b. liquidity
- c. to produce returns that will cover LWVMNEF administrative costs of local League accounts.

**"There is no dignity quite so impressive, and no independence quite so important, as living within your means."**

*Calvin Coolidge*

Mr. Coolidge was "right on the money". He knew the importance of planning your financial goals in relation to your resources. And he had never heard of the Tax Reform Act of 1986!

You may already be getting some valuable help from your banker, broker, insurance agent, or attorney. Each of these professionals has information to provide on their own specialty.

However, what's missing is a professional "quarterback" who coordinates these players, helping you call the plays, and giving you a complete game plan.

**WITH COMPUTER POWER, WE'LL SHOW YOU "WHAT HAPPENS IF..."**

Using the power of our computers for complex calculations enables us to develop, not one, but several different scenarios showing what happens if you plan and allocate your resources in various ways. You have multiple options. Each one presents different opportunities.

**TAX AVOIDANCE CAN BE REWARDING...**

Evading taxes is unlawful; however, tax avoidance is legal and ethical. You owe it to yourself to avoid taxes legally to the best of your ability. This part of financial planning can yield substantial rewards.

Because taxes influence every phase of financial management, you need expert tax advice.

Kay Anderson's expertise in taxes has frequently saved clients substantial amounts of money. For some clients, her tax and financial advice has resulted in potential benefits of as much as one million dollars!

**EXPERT ADVICE....ONLY.**

I have no interest in selling you insurance, mutual funds, etc. My only service is expert advice--in your best interest.



**Confidante**

Kay Anderson  
Estate & Tax Services  
7101 Metro Boulevard Suite 110  
Mpls., MN 55439  
612-942-8254 Fax: 612-942-8381



**Confidante**  
*Estate and Tax  
Services*

*Specializing in Complex  
Estate and Tax Problems*

**People Don't Plan to Fail...  
They Simply Fail to Plan!**

**ARE YOU READY FOR...**

College Costs?  
Transferring family assets?  
Estate Tax "Surprises"?  
Income Tax "Surprises"?

Expert Tax Preparation?  
Expert Tax Projections?  
Purchasing a home?  
Selling your home?

Retirement?  
Self Employment?  
Building a portfolio?  
Charitable giving?  
Divorce?  
Widowhood?  
Selling real estate?  
Managing real estate?  
Establishing a trust?  
Selling Securities?

These events can present real financial opportunities as well as potential for losses. When expertly handled, substantial monies may be preserved.

**ASK ME BEFORE...**

I invite you to contact me before you take an action, I will advise you of the implications, your various options, and give you recommendations on how best to handle your transactions.

**"It is a wise man who  
looks before he leaps."\***

\* wise woman too.



**Meet Kay Anderson...**

After graduating with honors from the University of Minnesota, Kay taught gifted and high achievers for a number of years. She earned a life time teaching certification in the Minnesota public schools.

She then began her career as a financial expert, earning her Public Accounting license and Enrollment To Practice Before the Internal Revenue Service. Her career has included positions as Pension and Profit Sharing Administrator at IDS, Tax Adviser at a Norwest Bank, and Corporate Tax Analyst for Dayton-Hudson Corporation. Kay held positions at two well-known public accounting firms: Lurie, Eiger, & Besikoff and the firm of Coopers & Lybrand.

Most recently, Kay held the position of Vice President of Tax and Investment Planning for Sargent Management Company, a financial company for prominent families. In this capacity, Kay provided tax and financial services to high net worth families and individuals.

As a lecturer, she organized and conducted seminars in personal finances at the College of St. Thomas, for the WAMSO "Financial Symphony" at Springhill, and for private family offices.

**WHAT IS FINANCIAL PLANNING?**

Briefly, financial planning works toward accomplishing this for you:

- ♦ Increase Spendable Income.
- ♦ Decrease Your Taxes.
- ♦ Increase your Net Worth.
- ♦ Reduce Risk.

**I Will Help You---**

**Decide** whether it's beneficial to keep assets in your portfolio or transfer them to others. Should you consider gifting to children now. Should you donate to charity with minimal or no impact on your net assets.

**Look** at the impact of future inheritance and steps you should take to preserve assets most beneficially.

**Analyze** retirement funds; should you receive them as lump sum payments or as annuities.

**Evaluate** your home: should you scale down? Scale up? Should you be owning or renting? If purchasing, can you pay for it comfortably? If selling, how can you best keep the proceeds?

**Oversee** personal living expenses and allowances for children and adults. Oversee rental property and financial affairs for clients traveling or living in other countries.



JP MB

SALLY A. MULLEN  
588 Maple Park Drive  
Mendota Heights, Minnesota 55118  
tel: (W)(612)244-1091 (H)(612)450-7431

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EMPLOYMENT:

July, 1985 to present First Trust N.A., St. Paul, Minnesota  
Vice President, Personal Trust Administration  
Direct responsibility for management of four administrative officers, five account representatives and an administrative assistant involved in management of fiduciary and directed account assets valued at over 2 billion which generate annual revenues of approximately 2.1 million;  
Direct responsibility for administration of 290 estate, trust and agency accounts valued at approximately \$680 million.  
March, 1983- June, 1985 Petersen, Tews and Squires, P.A., St. Paul, Minnesota  
Associate Attorney  
Engaged in the general practice of law with specific emphasis on the areas of corporate law, probate and estate planning and taxation.

EDUCATION:

Juris Doctorate, University of Minnesota Law School, Minneapolis, Minnesota, Class of 1982

Bachelor of Arts, College of St. Catherine, St. Paul, Minnesota, Class of 1979

Majors: Business, English

Honors: Phi Beta Kappa, Delta Phi Lambda, National Merit Scholarship

PROFESSIONAL ORGANIZATIONS:

Admitted to the Bar in Minnesota;  
Current member of the Minnesota and Ramsey County Bar Associations;  
Current member of the Board of Directors of Catholic Services for the Elderly, Inc., 1992-1995;  
Former member of the Board of Directors of Neighborhood House, 1992-1993, and  
Former Chairman of the Ramsey County Probate and Trust Law Section, 1990-1991.