

Virginia Association of Health, Physical Education, Recreation and Dance

Investment Policy Statement

Approved January 25, 2003

Introduction

This statement of Investment Policy has been adopted by the Board of Directors of the Virginia Association of Health, Physical Education, Recreation and Dance (VAHPERD) to provide guidelines for the investment of funds held by the association.

For the purposes of investment risk and to optimize investment returns within acceptable risk parameters, the funds held will be divided into three separate investment pools. The process for determining the dollar amount in each pool is set forth in the "Procedures" section of this document. The three investment pools shall be called "Operating Funds", "Fixed Income Funds", and "Equity Funds."

Procedures

1. The following procedures will be followed to ensure the investment policy statement is consistent with the current financial condition:
 - A. This investment policy shall be reviewed annually by the Finance Committee, which will recommend any necessary revisions to the Board of Directors.
 - B. The Board of Directors will have the final approval on any changes in the policy.

2. The following procedures will be used to determine the dollar amounts to be placed into Operating Funds, Fixed Income Funds, and Equity Funds. Dollars not specifically designated for the Fixed Income or Equity funds will be restricted to investments designated in the "Investment Guidelines" for Operating Funds.
 - A. The Executive Director will recommend to the Finance Committee the dollar amount to be placed in Operating Funds, Fixed Income Funds, and Equity Funds.
 - B. The Board of Directors will approve the dollar amounts to be placed into each fund.

Operating Funds Allocation

A base of \$30,000 to 70,0000 will be kept in Operating Funds in the form of cash and money market funds. It is not included in the allocation model below.

Fixed Income Funds Allocation

A target allocation of 40% is sought.

<u>Type</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Intermediate Fixed Income	25	30	35
High Yield Bonds	8	10	12

Equity Funds Allocation

A target allocation of 60% is sought

<u>Type</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Large Cap Stocks	25	30	35
Mid /Small Cap Stocks	15	20	25
International Stocks	8	10	12

Ten percent of all American Heart income must be invested in Fixed Income and Equity Funds using the above percentages.

Operating Funds

Purpose

The purpose of Operating Funds is to provide sufficient cash to meet the financial obligations of VAHPERD in a timely manner.

Investment Objectives

The investment objectives of Operating Funds are:

1. Preservation of capital
2. Liquidity
3. To optimize the investment return within these constraints of 1 and 2 above.

Investment Guidelines

Allowable investments

Operating Fund may be invested as follows:

1. Federally insured Certificated of Deposit not to exceed \$100,000 per institution;
2. Money Market Funds;
3. Interest bearing checking accounts in federally insured banks and savings and loans not to exceed the federally insured amounts;
4. Direct obligations of the US Government, its agencies and instrumentalities.

Maturity

The maturities on investments for the Operating Fund shall be limited to six months or less. The Executive Director shall be responsible for scheduling maturities.

Reporting

The Executive Director shall prepare a report on a quarterly basis to be presented to the Finance and Executive Committees. The report will include interest income year to date and current yield. A similar report shall be submitted to the Board of Directors on an annual basis.

Fixed Income Funds

Purpose

The purpose of Fixed Income Funds is to meet the expenses occurring as a result of unanticipated activities, improve the return on the funds held for expenditure over the next three to five years, and to manage investment risk.

Investment Objectives

The investment objectives of the Fixed Income Funds are:

1. The preservation of capital;
2. Optimize the investment return;
3. Emergency liquidity.

Investment Guidelines

The investment policies and restrictions presented in this statement serves as a framework to achieve the investment objectives at a level of risk deemed acceptable. These policies and restrictions are designed to minimize interfering with efforts to attain overall objectives, and to minimize excluding any appropriate investment opportunities. The policy allows substantial discretion in the asset allocation and diversification of the assets for the purpose of increasing investment returns or reducing risk exposure. The Executive Director, Executive Committee, and Finance Committee Chair, in consultation with the Investment Advisor/Consultant, have a broad responsibility to shift the commitment of assets among asset classes and mutual funds.

Allowable Investments

The Executive Director and any Investment Advisor/Consultant shall be authorized to invest in Fixed Income Funds as follows:

1. Any investment allowed in Operating Funds
2. High yield Corporate bonds;
3. Foreign government or foreign corporate bonds;
4. The weighted average maturity of the portfolio must be ten years or less;
5. Bond Mutual funds.

Prohibited Investments

Fixed Income Funds will not be invested in equities or equity mutual funds.

Maturity

Fixed Income funds shall be invested in securities appropriate for a three to five year investment horizon.

Reporting

The Executive Director shall prepare a report on a quarterly basis to be presented to the Finance and Executive Committees. The report shall include a schedule of investments, interest income year to date and current yield. A similar report shall be submitted to the Board of Directors on an annual basis.

Equity Funds

Purpose

The purpose of Equity Funds is to provide financial stability, to ensure the real growth of capital to meet future needs of VAHPERD and to enhance the purchasing power of funds held for future expenditure.

Investment Objectives

The objectives of the account should be pursued as a Long-Term goal designed to maximize the return without exposure to undue risk. It is understood that fluctuating rates of return are characteristic of the securities market. The greatest concern should be Long-Term appreciation of the assets and the consistency of the total portfolio returns. Recognizing that Short-Term market fluctuations may cause variations in the account performance, the expectations of the account will be to achieve the following objectives over a three to five year period:

1. The total return should exceed the increase in the Consumer Price Index by 3% annually.
2. The total return should exceed the increase in the Treasury Bill Index by a minimum of 3%.
3. The portfolio should be invested to minimize the likelihood of low negative total returns, defined as one year worse than negative 5%.

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Equities

The part of the portfolio invested in stocks should be representative of the overall stock market. The objective of the stock portfolio is to outperform the appropriate Indices (net of expenses) over a five to ten - year period. Allowable investments include:

1. Large capitalization stocks (\$500 Million market capitalization);
2. Small capitalization stocks;
3. Stocks of foreign corporations;
4. Stocks of real estate investment trusts;
5. Mutual funds investing in instruments meeting the investment guidelines.

Prohibited Investments

The following investments are prohibited:

1. Private placements;
2. Letter Stocks;
3. Options, except in mutual funds;
4. Commodity or futures trading, except in mutual funds where the trading objective is to preserve principal;
5. Short selling;
6. Margin transactions.

Reporting

The Executive Director shall prepare a report on a quarterly basis to be presented to the Finance and Executive Committees. The report shall contain a schedule of holdings, asset class percentages, performance compared to the objectives and performance compared to the appropriate index. A similar report shall be presented to the Board of Directors on an annual basis.