

# Dispute Resolution Center of Thurston County

## STATEMENT OF INVESTMENT POLICY OBJECTIVES AND GUIDELINES

*Adopted 8/8/16*

*Revised 2/21/19, Reviewed w/no changes 2/20/20, 2/18/21 & 2/16/22*

### **Mission:**

The mission of the Dispute Resolution Center of Thurston County is to: "...empower people to resolve their disputes by providing conflict resolution and mediation services, and train community members in those skills." The investment accounts of the Dispute Resolution Center of Thurston County are intended to financially assist in fulfilling this mission.

### **Purpose:**

The purpose of this investment policy statement is to establish the objectives and principles that should guide the management of the invested assets of the Dispute Resolution Center of Thurston County to achieve the desired results.

### **Delegation of Authority:**

The Board of Directors of the Dispute Resolution Center of Thurston County holds the fiduciary responsibility for funds that are managed in support of the organization's mission. As such, it is responsible for directing and monitoring the management of the DRC's investment accounts. Except as provided in this policy, this responsibility is carried out on behalf of the Board by its Executive Committee.

With Board approval, the Executive Committee may employ an Investment Advisor to assist them in implementing this policy by proposing appropriate investments, managing the accounts, monitoring their performance, and reporting regularly to the Committee. The Investment Advisor shall have discretion to purchase, sell, or hold the specific securities that will be used to meet the DRC's objectives. The Investment Advisor must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company.

Additional specialists such as attorneys and auditors may be employed by the Executive Committee as needed to ensure that the obligation to administer the DRC's assets prudently is met. All expenses for such experts must be customary and reasonable, and shall be borne by the investment account for which such services are required.

### **Definitions:**

1. "DRC" means the Dispute Resolution Center of Thurston County, a non-profit corporation incorporated in the State of Washington.

2. "Board of Directors" means the Board of Directors of the Dispute Resolution Center of Thurston County.
3. "Executive Committee" means the Executive Committee of the Board of Directors, including the President, the Vice President, the Secretary, and the Treasurer of the organization and may include the immediate past President.
4. "Investment Advisor" means any individual, group of individuals, or organization authorized to manage the investment of all or part of the DRC's assets and provide advisory services, including advice on specific investments, asset allocation, and performance monitoring.

**General Investment Principles:**

1. All investments shall be made solely in the interest of the Dispute Resolution Center of Thurston County.
2. Funds shall be invested with the due care, skill, and diligence that would be exercised by a prudent person acting in like capacity under prevailing circumstances.
3. Investments shall be generally diversified so as to minimize the risk of large losses.
4. Investment advisors should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.

**Investment Goals and Objectives:**

The Dispute Resolution Center of Thurston County Board of Directors will create two investment accounts.

**I. Legacy Fund:**

The goal of this fund is to maximize the return on Legacy Gifts made to provide lasting support for the DRC's mission. Specifically, the objective is to grow the aggregate Fund value, net of spending, at or above the current rate of inflation. Achievement of this objective shall be monitored at least annually by the DRC's Executive Committee. All fund assets are to be invested in liquid securities, defined as securities that can be transacted quickly and efficiently, with minimal impact on market price. While asset allocation will be monitored regularly, frequent changes in response to subtle changes in the financial markets are not expected.

The asset allocation guidelines for the Legacy Fund shall be as follows:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Equities	40%	80%
Fixed Income	20%	50%
Cash Equivalents	0%	10%

The investment time horizon for this Fund shall be 10 years. The risk tolerance for investments is moderately aggressive. The target asset allocation for this Fund is 60% equities and 40% fixed income and cash equivalents.

## **II. Reserve Account:**

The goal of this account is to ensure that funds are available when needed to meet exceptional expenses of the DRC, while providing prudent management of such funds. The objective is to preserve the capital and maintain liquidity of funds allocated to this account, with growth as a secondary objective. All assets in the Reserve Account are to be invested in cash, cash equivalents, or short-term fixed income securities. While asset allocation will be monitored regularly, frequent changes in response to subtle changes in the financial markets are not expected.

The asset allocation guidelines for the Reserve Account shall be as follows:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Cash and Cash Equivalents	50%	80%
Fixed Income	20%	50%

The investment time horizon for this account shall be 1 to 3 years. The risk tolerance for investment in this account is conservative.

### **Diversification:**

In order to achieve a prudent level of investment diversification, the securities of any one equity company or government agency should not exceed 5% of the Legacy Fund, and no more than 20% of the Legacy Fund should be invested in any one industry.

### **Investment Guidelines:**

Allowable assets include:

1. Cash Equivalents
  - Treasury Bills
  - Money Market Funds
2. Fixed Income Securities
  - Certificates of Deposit (CDs)
  - U.S. Government and Agency Bonds
  - Corporate Notes and Bonds
  - Mortgage-Backed Bonds
  - Preferred Stock

## Fixed Income Securities of Foreign Governments and Corporations

### 3. Equity Securities

Common Stocks

Convertible Notes and Bonds

Convertible Preferred Stocks

American Depository Receipts (ARD's)

Stocks of Non-US Companies (Ordinary Shares)

4. Mutual Funds that invest in securities as allowed in this statement

5. Publicly Traded, fully liquid Real Estate Investment Trusts (REITs)

### **Further Guidelines for Fixed Income Investments and Cash Equivalents:**

1. Assets may be invested in individual bonds provided that their rating is BBB (investment grade equivalent or better.)

2. Assets may be invested in mutual funds provided that their average bond rating is BBB of the individual bond holdings in the fund are rated at BBB (investment grade) or better.

3. Assets may be invested in commercial paper provided that their rating is A or better.

4. Fixed income maturity restrictions are as follows:

- Maximum maturity for any single security is 25 years.
- Weighted average portfolio maturity may not exceed 15 years.

### **Prohibited Assets:**

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

1. Commodities and Futures Contracts
2. Private Placements
3. Options
4. Limited Partnerships
5. Venture-Capital Investments
6. Individual Real Estate Properties
7. Collateralized Mortgage Obligations (CMOs)

### **Prohibited Transactions:**

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

1. Short Selling of individual holdings

## 2. Margin Transactions

### **Risk:**

The DRC's assets need to be managed so as to minimize risk, recognizing that a certain amount of risk is inherent in any investment strategy. For the purposes of this policy, acceptable risk level for the Legacy Fund is defined as a standard deviation equivalent to that of a custom benchmark made up of 60% S&P 500 index and 40% Lehman Brothers Bond Index over a complete market cycle of 10 years.

Acceptable risk level for the Reserve Account is defined as a standard deviation equivalent to that of the current Overnight Federal Funds Rate over the past one year.

The Investment Advisor shall monitor and report portfolio risk levels on an annual basis, and the Executive Committee shall evaluate risk management performance at least every five years.

### **Stock Exchanges:**

To ensure marketability and liquidity, investment advisors shall execute transactions through the following exchanges: New York Stock Exchange, American Stock Exchange, and NASDAQ over-the-counter market. In the event that an Investment Advisor determines that there is a benefit or a need to execute transactions in exchanges other than those listed in this statement, written approval is required from the Executive Committee.

### **Spending Policy:**

Legacy Fund: All designated Legacy Gifts shall be promptly deposited in the Legacy Fund. All withdrawals from the Legacy Fund must be approved by a prior affirmative vote of 80% of the sitting Board of Directors. If a transfer from the Legacy Fund is proposed as part of the annual budget, the above requirement shall be deemed satisfied only if the budget is passed with an 80% vote.

Reserve Account: The Executive Director is authorized to withdraw or deposit up to \$500.00 without prior approval of the Executive Committee. The Executive Director will advise the Executive Committee of any withdrawals or deposits at its next regularly scheduled meeting.

Deposits into and withdrawals (up to 50% of the current value) from the Reserve Account may be authorized by the Executive Committee. Withdrawals of more than 50% of the current account value must be approved by a prior affirmative vote of at least 80% of the sitting Board of Directors.

The Executive Committee will inform the full Board of Directors of all deposits into and withdrawals from the DRC's investment accounts at each regular Board meeting.

**Investment Advisor Performance Review:**

The Investment Advisor shall provide monthly statements to the Board of Directors through the Executive Committee. The investment performance of total portfolios, as well as asset class components, shall be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment goals, objectives, and guidelines as set forth in this statement. The Executive Committee shall evaluate the Advisor's performance annually.

The Executive Committee reserves the right to terminate an advisor for any reason and at any time. In addition, an Investment Advisor may be placed on probation, at the discretion of the Executive Committee, for any aspect of unsatisfactory performance.

**Investment Policy Review:**

To assure continued relevance of the guidelines, objectives, financial status and capital market expectations as established in this statement of investment policy, the Executive Committee shall review this investment policy at least annually and shall reaffirm same, or if necessary, shall recommend amendments to this policy to the full Board for approval.