

## Business and Non-Instructional Operations

### MANAGEMENT OF DISTRICT ASSETS/ACCOUNTS

BP 3430

#### Investing/Investment Policy

##### A. SCOPE PURPOSE OF POLICY

##### GENERAL INFORMATION

This investment policy applies to the activities of the NORTH SLOPE BOROUGH SCHOOL DISTRICT with regard to investing the short-term financial assets of the District. All investments shall be in compliance with this policy unless otherwise specifically authorized by the Board.

~~The purpose of this policy is to establish guidelines for the investment of the North Slope Borough School District's funds in an effort to optimize its return on funds available for investment through investment of cash balances in such a way as to minimize non-invested balances and to maximize return on investments consistent with the following principles:~~

~~1.— Legality~~

~~All investments shall be made in accordance with applicable federal, state and local laws including prudent money management practices.~~

~~2.— Safety~~

~~Preservation of principal shall be of highest priority. Preservation of principal in the portfolio of investments shall be ensured by diversification and other means of minimizing credit risk, including avoidance of concentration of credit risk, market risk and interest rate risk, and by thoroughly investigating and reviewing the performance of all investment providers.~~

~~3.— Liquidity~~

~~Investments shall remain sufficiently liquid to meet the District's operating requirements that are reasonably anticipated. A fiscal year operations anticipated cash flow shall be developed so that investments can be made as early as possible, with maturities consistent with anticipated cash demands.~~

~~4.— Yield~~

~~Investments shall be made with the objective of attaining a market-average rate of return throughout the budgetary and economic cycles, taking into account investment risk constraints and liquidity needs.~~

##### GENERAL STATEMENT OF POLICY

~~The School Board believes that an effective investment program is important to the financial stability of the School District, therefore a key component to attaining its Vision, Mission and Financial Stewardship. Effective investment of the School District cash assets will enhance opportunities for leadership and staff to focus on building trusting relationships, personalizing services and continuous improvement of the School District operations.~~

~~It is the policy of the School Board that the School District's investment portfolio be managed in a manner designed to attain a market rate of return throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio.~~

## Business and Non-Instructional Operations

### MANAGEMENT OF DISTRICT ASSETS/ACCOUNTS (Continued)

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#### Investing/Investment Policy (Continued)

The School Board are fiduciaries and responsible for directing and monitoring the investment management of all District Funds.

It is the policy of the School Board that employees involved in the investment process shall refrain from personal business activity that could conflict with execution of the investment program or which could impair their ability to make impartial investment decisions.

#### B. OBJECTIVES AUTHORITY

The District's primary investment objective is to manage the short-term investment portfolio to provide for financial stability. It is the objective of this policy to assist in accomplishing the following:

- Maximize earnings on District funds invested in high-quality, low risk securities with the overall prudent management of funds to maximize overall earnings at acceptable levels of overall risk.
- Investment of funds in securities with return of principal in a time frame consistent with the anticipated funding needs of the District, thereby reducing the risk of loss of principal due to market changes or untimely security sales.
- Ensure necessary liquidity of District funds for cash flow purposes.

#### INVESTMENT OFFICER

The Chief Financial Officer is designated as the Investment Officer of the School District and is responsible for investment decisions and related activities. The Chief Financial Officer will work very closely with the Investment Advisors to routinely monitor market conditions, the investment portfolio content and rebalance the portfolio accordingly.

#### INVESTMENT REVIEWS

The Chief Financial Officer will review reports on investment performance and present the same to the Superintendent, the Finance Committee and the Board of Education on at least quarterly basis. The performance review for each investment will address actual income and cash generated by the investment including the rate of return.

#### C. DELEGATION OF AUTHORITY CHANGES TO INVESTMENT POLICY AND INVESTMENT FUND MANAGER

The Superintendent or his/her designee shall conduct transactions, manage the District's investments program, and operate the investment program consistent with this policy.

#### POLICY REVIEW AND AMENDMENTS

The Chief School Administrator and Director of Finance, in conjunction with the School Board, shall review this policy at least annually to ensure its consistency with the objectives of income, growth and safety, and changes in applicable laws and financial trends. Any proposed amendments to the Investment Policy will be first presented to the Finance Committee and require approval by the Board of Education.

#### INVESTMENT FUND MANAGER

NORTH SLOPE BOROUGH SCHOOL DISTRICT

## Business and Non-Instructional Operations

### MANAGEMENT OF DISTRICT ASSETS/ACCOUNTS (Continued)

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#### Investing/Investment Policy (Continued)

~~The Investment Manager is responsible for providing investment services to the School District to include the evaluation, purchase and sales of securities. In this capacity, the Investment Manager shall invest the cash and securities from time to time allocated to it hereunder and deposited in the account, without distinction between principal and interest. The Investment Manager shall act as the North Slope Borough School District's fiduciary, and will discharge its duties with respect to the investments solely in the interest of School District.~~

#### D. PRUDENT INVESTMENT APPROACH    SHORT-TERM INVESTMENT GUIDELINES

Investments shall be made exercising the judgement and care under the circumstances then prevailing that a prudent investor of ordinary professional prudence, discretion, and intelligence exercises in managing investments with consideration for the investment objectives and the probable safety of the capital as well as the probable investment returns.

#### DISTRICT SHORT-TERM INVESTMENT CATEGORIES

~~District short-term funds may be invested in the following categories:~~

- ~~1. United States government obligations.~~
- ~~2. Direct obligations of an agency or instrumentality of the United States of America, and obligations on which the timely payment of principal and interest is fully guaranteed by any such agency or instrumentality.~~
- ~~3. Repurchase agreements secured by obligations of the United States government, or an agency or instrumentality of the United States government.~~
- ~~4. Negotiable certificates of deposit issued by a bank receiving the highest short term credit rating from two Nationally Recognized Statistical Rating Organizations.~~
- ~~5. Shares of a money market mutual fund or other collective investments fund registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933.~~
- ~~6. The maximum maturity of any single security shall not exceed five years. The weighted average maturity of the portfolio shall not exceed 2.5 years. The average weighted quality of the portfolio must be at least AA/AA2. 4.2~~

#### CONCENTRATION LIMIT

~~The following limitations shall be observed in the investment of funds:~~

- ~~1. Instrument Category Maximum, Maximum per Single Issuer~~
- ~~2. U.S. Government obligations 100% 100%~~
- ~~3. Repurchase Agreements 100% 100%~~
- ~~4. U.S. Agency obligations 100% 50%~~
- ~~5. Bank Certificates of Deposit 50% 10%~~

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### MANAGEMENT OF DISTRICT ASSETS/ACCOUNTS (Continued)

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#### Investing/Investment Policy (Continued)

6. Money Market Mutual Funds 100%-100%

#### SECTION FIVE — LONG TERM

##### E. ETHICS AND CONFLICTS OF INTEREST INVESTMENT GUIDELINES

Employees involved in the investment process shall refrain from personal business activity that could conflict with execution of the investment program or which could impair their ability to make impartial investment decisions.

##### ASSET ALLOCATION GUIDELINES

~~The asset allocation guides the investment manager in creating a portfolio that best reflects the risk posture, expected return, and other investment parameters described in this Investment Policy. In addition, the allocation constraints allow the investment manager to rebalance the portfolio at strategically advantageous times without administrative burdens. The allocation ranges also allow the investment manager to obtain higher investment returns and/or lower investment risks (within the constraints) in response to market conditions.~~

##### FUND LEVEL INVESTMENT GUIDELINES

~~The Fund will use low cost, efficient investment vehicles (index mutual funds and/or exchange traded funds (ETFs)) for all equity exposure. For the fixed income portion of the portfolio, the investment manager may use both mutual funds/ETFs or individual US dollar denominated investment grade fixed income securities. The Fund will achieve its objective via long-only, unlevered investments. The Fund is prohibited from engaging in short sales and margin transactions.~~

##### PRODUCT LEVEL INVESTMENT GUIDELINES

~~The Board will take a conservative posture on derivative securities in order to maintain a risk averse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. The Board recognizes that derivatives may be utilized within investment products as a portfolio management tool.~~

~~Derivative use and short exposure within a product are permissible when utilized for the purpose of creating or enhancing exposure to an asset class or implementation strategy. Due to the inherent characteristics of derivatives, embedded leverage is permissible when fully collateralized.~~

~~Direct leverage or borrowing for the purpose of magnifying returns is prohibited. Exposure must be net long at all times.~~

##### STRATEGIC ASSET ALLOCATION

~~Chart includes the Asset Class, Target, Minimum, and Max. Under Equity, is the U.S. Large-Cap Equity with a target of twenty-two percent, minimum of twelve percent, and thirty-two percent max; U.S. Mid-Cap Equity with a target of two percent, minimum of zero percent, max of five percent; U.S. Small-Cap Equity with a target of one percent, minimum of zero percent, and maximum of five percent; International Developed Equity with a target of eight~~

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#### Investing/Investment Policy (Continued)

~~percent, minimum of zero percent, max of fifteen percent; and Emerging Markets Equity with a target of two percent, minimum of zero percent, max of five percent. Under Asset Class Alternatives includes Real Estate and Infrastructure. For Real Estate, the target is two percent, minimum zero percent, and five percent max; for Infrastructure the target is three percent, minimum of zero percent, and max of six percent. For the Fixed Income, under U.S. Fixed Income is a target of thirty five percent, minimum of twenty five percent, and max of forty five percent; For TIPS, the target is ten percent, minimum of five percent, and maximum of fifteen percent; For International Bonds, the target is five percent, minimum of zero percent, and minimum of ten percent; For Cash, the target is ten percent, minimum five percent, and fifteen percent maximum.~~

#### PERFORMANCE BENCHMARK

~~PERFORMANCE— is listed as a chart including the asset class as previously mentioned with its corresponding performance benchmark in order as: Standard & Poor's 500 Index, Standard & Poor's 400 Mid-Cap Index; Standard & Poor's 600 Small-Cap Index; MSCI EAFE Index; MSCI Emerging Markets Index; Standard & Poor's US REIT Index; STOXX Global Board Infrastructure Index; Bloomberg Barclays US Aggregate Bond Index; Bloomberg 0-5 Year Treasury Inflation Protected Securities Index; Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index; and FTSE 90 Day T-Bill Index.~~

#### INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

~~Performance reports generated by the investment manager shall be compiled at least monthly and disseminated to the Board for review. The investment performance of the portfolio will be measured against the weighted blended target allocation listed in Table 1. Components of the portfolio will be measured against the specific benchmarks listed in Table 2.~~

~~The performance reporting methodology of the investment manager shall be compliant with the CFA Institute's Global Investment Performance Standards (GIPS). Consideration shall be given to the extent at which the investment results are consistent with the investment objectives, goals and guidelines as set forth in this Investment Policy. The Board reserves the right to terminate an investment manager for any reason without cause including:~~

- ~~1. Investment performance that is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor investment results.~~
- ~~2. Failure to adhere to any aspect of this Investment Policy, including communication and reporting requirements.~~
- ~~3. Significant qualitative or quantitative changes to the investment management process or organization.~~

#### F. REPORTS SAFEKEEPING OF ASSETS

The Superintendent or his/her designee will routinely monitor market conditions, the portfolio contents, the relative value of competing instruments and actual investments returns. Performance review of investments shall be conducted on a quarterly basis.

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### MANAGEMENT OF DISTRICT ASSETS/ACCOUNTS (Continued)

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#### Investing/Investment Policy (Continued)

Performance Review. The review of each investment will address.

- Actual income and cash generated by the investment.
- Rate of Return

#### G. INSTRUMENTS

District short-term funds may be invested in the following categories:

1. United States government obligations
2. Direct obligations of an agency or instrumentality of the United States of America, and obligations on which the timely payment of principal and interest is fully guaranteed by any such agency or instrumentality.
3. Repurchase agreements secured by obligations of the United States government, or an agency or instrumentality of the United States government.
4. Negotiable certificates of deposit issued by a bank receiving the highest short term credit rating from two Nationally Recognized Statistical Rating Organizations.
5. Shares of a money market mutual fund or other collective investments fund registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933.
6. The maximum maturity of any single security shall not exceed five years. The weighted average maturity of the portfolio shall not exceed 2.5 years. The average weighted quality of the portfolio must be at least AA/AA2.

#### I. CONCENTRATION LIMITS

The following limitations shall be observed in the investment of funds:

Instrument Category Maximum, Maximum per Single Issuer

U.S. Government obligations 100% 100%

Repurchase Agreements 100% 100%

U.S. Agency obligations 100% 50%

Bank Certificates of Deposit 50% 10%

Money Market Mutual Funds 100% 100%

#### CUSTODIAL ACCOUNTS

~~All investment products will be deposited in a custodial account of a major financial institution in good standing to ensure a robust system of checks and balances to satisfy fiduciary responsibility. Custodial duties include, but are not limited to, safekeeping of assets, producing monthly account statements, and acting as the master keeper of records, particularly as it pertains to the cost basis of assets.~~

*cf. 3400 - Management of District Assets/Accounts*

*cf. 3450 - Money in School Buildings*

**NORTH SLOPE BOROUGH SCHOOL DISTRICT**

**Business and Non-Instructional Operations**

**MANAGEMENT OF DISTRICT ASSETS/ACCOUNTS (Continued)**

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**Investing/Investment Policy (Continued)**

Legal Reference:

ALASKA STATUTES

14.14.060 Relationship between borough school district and borough

14.17.505 Fund balance in school operating fund

ALASKA ADMINISTRATIVE CODE

4 AAC 06.120 Accounting and audit manuals, charts of accounts, code descriptions

4 AAC 06.121 Annual financial reporting requirements

4 AAC 09.130 School district audit

4 AAC 09.160 Fund balance

Adopted: 09/10

Revised: 10/20

Revised:     /22