



# NORTH SLOPE BOROUGH SCHOOL DISTRICT INVESTMENT POLICY

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# SECTION ONE—PURPOSE OF POLICY

## 1.1 GENERAL INFORMATION

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:

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

**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.

**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.

**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.

## 1.2 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.

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

## **SECTION TWO—AUTHORITY**

### **2.1 INVESTMENT OFFICER**

The Chief Financial Officer is designated as the Investment Officer of the School District and is responsible for investment decisions and activities. The Controller shall assist the Chief Financial Officer in the implementation of this policy.

### **2.2 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.

## **SECTION THREE—CHANGES TO INVESTMENT POLICY AND INVESTMENT FUND MANAGER**

### **3.1 POLICY REVIEW AND AMENDMENTS**

The Chief Financial Officer 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.

### **3.2 INVESTMENT FUND MANAGER**

## **SECTION FOUR—INVESTMENT GUIDELINES**

### **4.1 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.

### **4.2 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.

### 4.3 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.

### 4.4 STRATEGIC ASSET ALLOCATION

The strategic allocation set forth in Table 1 has an average annual expected return over a 10-year horizon of 5.2%. However, 95% of actual annual returns are expected to range from -8.0% to 18.4%.

Table 1: Strategic Allocation

<b>Asset Class</b>	<b>Target</b>	<b>Min</b>	<b>Max</b>
<b>EQUITY</b>	<b>35%</b>		
U.S. Large-Cap Equity	22%	12%	32%
U.S. Mid-Cap Equity	2%	0%	5%
U.S. Small-Cap Equity	1%	0%	5%
International Developed Equity	8%	0%	15%
Emerging Markets Equity	2%	0%	5%
<b>ALTERNATIVES</b>	<b>5%</b>		
Real Estate	2%	0%	5%
Infrastructure	3%	0%	6%
<b>FIXED INCOME</b>	<b>60%</b>		
U.S. Fixed Income	35%	25%	45%
TIPS	10%	5%	15%
International Bonds	5%	0%	10%
Cash	10%	5%	15%

## SECTION FIVE—PERFORMANCE BENCHMARK

### 5.1 PERFORMANCE

Asset Class	Performance Benchmark
U.S. Large-Cap Equity	Standard & Poor's 500 Index
U.S. Mid-Cap Equity	Standard & Poor's 400 Mid-Cap Index
U.S. Small-Cap Equity	Standard & Poor's 600 Small-Cap Index
International Developed Equity	MSCI EAFE Index
Emerging Markets Equity	MSCI Emerging Markets Index
Real Estate	Standard & Poor's US REIT Index
Infrastructure	STOXX Global Broad Infrastructure Index
U.S. Fixed Income	Bloomberg Barclays US Aggregate Bond Index
TIPS	Bloomberg Barclays 0-5 Year Treasury Inflation Protected Securities Index
International Bonds	Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index
Cash	FTSE 90 Day T-Bill Index

### 5.2 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.

## **SECTION SIX—SAFEKEEPING OF ASSETS**

### **6.1 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.