

	<b>LIONS PRIDE CAMPAIGN</b>		Number 9.6 Page 1 of 5 Revision A Revised By Pride Coordinator Geri Schlender
	Prepared by Director Mike Lisle	Original Issue Date Proposed 5/20/2006	
	Title <b>Investment Policy</b>		Latest Revision Date August 7, 2010

**PURPOSE OF THIS PROCEDURE:** Management of Investments of the Wisconsin Lions Foundation, Inc. Lions Pride Campaign Endowment Fund.

## **I. Introduction and Purpose**

- a. The investment policies of the Lions Pride Endowment Fund are designed to ensure prudent management of the Pride Endowment assets in order to serve the long term best interests of the Wisconsin Lions Foundation approved projects.
- b. To state in writing the goals and expectations for the investment of the portfolio assets.
- c. To provide a framework for a well diversified asset mix that can be expected to generate acceptable long-term returns at a suitable level of risk.
- d. To define the responsibilities of all parties involved in the investment decision making and investing activities.
- e. To serve as a basis for monitoring the ongoing performance of the investment manager(s).

## **II. Delegation of Authority**

- a. The Wisconsin Lions Foundation Board of Directors has delegated to the Investment Committee on May 12, 2005 the responsibility for selecting investment manager(s), monitoring compliance with the investment policy, recommending changes to the policy and reporting to the Board of Directors.
- b. The Investment Committee has a maximum of seven members that are astute financial and business professionals. The committee will consist of non-Lion(s), one qualified Board of Director with the balance qualified Lions members. The committee will elect a chairperson.
- c. The Executive Administrator may serve as an ex-officio, non-voting member of the Investment Committee.
- d. The Investment Manager(s) have discretion to purchase, sell, or hold the specific securities that will be used to meet the Plan's investment objectives.
- e. Investment management fees shall be negotiated and approved by the Investment Committee.
- f. The Investment Manager(s) shall communicate to the Investment Committee any major changes in investment outlook, investment strategy, asset allocation, portfolio structure, market value of portfolio assets and other substantive matters affecting the portfolio. The Manager(s) will keep the Committee informed of any significant changes in ownership, organizational structure, financial condition, or senior personnel staffing of the Investment Management organization.
- g. The Investment Manager(s) will report, on a timely basis, investment performance results at least quarterly.

### III. Asset Allocation

#### a. Operating Fund

- i. The Operating Fund is used to pay the Pride Endowment Fund's operating expenses. Timing of the need of these funds will be communicated to the Investment Manager(s).

Guidelines for Operating Fund

Asset Class	Target	Range
Cash Equivalents	5%	2% to 10%
Fixed Income Assets	90%	80% to 95%
Equities (Long Term Growth)	5%	0% to 10%

#### b. Endowment Fund

- i. The Endowment Fund purpose is to establish and maintain a fund with a long term investment objective which combines the need for making distributions with the need of maintaining and increasing the long term purchasing power of the principal of the portfolio.

Guidelines for Endowment Fund

Asset Class	Target	Range
Cash Equivalents	2%	0% to 10%
Fixed Income Assets	38%	30% to 50%
Equities (Long Term Growth)	60%	40% to 70%

#### c. Pooled Income Fund

- i. The Pooled Income Fund is used to provide an income stream to donors who make designated gifts to the Pooled Income Fund. By law the income earned each year must be paid out to the donors.

### IV. Investment Policy Guidelines

#### a. Broad Guidelines

- i. To be fully invested while meeting near term anticipated liquidity needs.
- ii. All investments are subject to applicable Federal and State statutes.
- iii. No more than 5% of any portfolio at cost may be invested in the securities of a single issuer or in a single tangible asset, excluding securities issued by the U.S. Government or its agencies.
- iv. Any investment or actions with respect to an investment not expressly allowed is prohibited, unless presented to and approved prospectively by the Investment Committee. All guidelines must be adhered to by the investment managers. However, if from time to time an exception to the guidelines shall be deemed appropriate by a manager, it may seek review and approval by the investment committee to make such an exception. A simple majority vote of the investment committee is required to approve an exception.

**b. Instruments and Guidelines**

i. Equities

1. Market Capitalization – The majority of the equity portion of the portfolio is to be invested in those domestic equities with at least \$1 billion in market capitalization. Up to 20% of the equity portion may be invested in international equities using American Depository Receipt (ADR's).
2. Market timing – Assets may be shifted between equities, bonds and cash equivalents as influenced by economic and market conditions. If assets within a given asset category remain outside the allocation ranges for more than 10 days, the Investment Committee must be notified by the Investment Manager.
3. Diversification – No more than 5% at cost or book value of the funds in the equity portfolio may be committed to the equities of one company. Nor more than 20% is to be committed to equities operating within the same industry as defined by Standard & Poor's.

ii. Fixed Income

1. Credit Quality – Investments shall be made in those fixed income securities that credit quality rating above the following at time of purchase:
  - a. BBB by Standard & Poor's for straight bonds & convertibles.
  - b. A1 by Standard & Poor's for short term securities.
  - c. AAA for money market instruments.
2. Permitted Instruments –
  - a. Issues of U.S. Government and its Agencies.
  - b. State and municipal governments and corporate bonds.
  - c. Certificates of Deposit should be insured by FDIC and consideration given to using those institutions whose CD's are rated by a nationally recognized rating agency.
3. Diversification – No more than 5% of fixed income investments, at cost, shall be permitted in securities of any one issuer except for U.S. Government and Agency obligations.
4. Duration – The weighted average maturity of the fixed income portion of the portfolio shall not exceed seven years and no assets shall be purchased with individual maturities exceeding fifteen years.

iii. Cash Equivalent

1. Credit Quality – Domestic corporate notes and obligations shall be rated A or higher by Standard & Poors or Moody's at time of purchase. Commercial paper must be rated Top Tier. Bank obligations shall be of a similar quality to corporate obligations.
2. Permitted Instruments –
  - a. Issues of the US Government and its Agencies.
  - b. State and municipal government.
  - c. Money market funds which follow SEC guidelines for investing into cash equivalent securities.
  - d. Notes and commercial paper of domestic corporations.
  - e. Domestic bank certificates of deposit and time deposits.

3. Duration – The weighed average maturity of the cash equivalent portion shall not exceed two years and no assets shall be purchased with individual maturities exceeding three years except that floating rate issued may have a longer maturity if the interest adjustment is based on an instrument with a maturity of less than one year.

**c. Prohibited Assets and Transactions**

- i. Investments using margins and options
- ii. Commodities and Futures contracts
- iii. Private Placements
- iv. Limited Partnerships
- v. Venture Capital Investments
- vi. Real Estate Properties
- vii. Non marketable securities
- viii. Shorts sales, forward contracts, inverse floaters and other derivative investments which incorporate leverage and derive their value from the value or price behavior of another security.

**V. Performance Objective**

- a. The Investment Committee recognizes that the Endowment Fund's purchasing power may be subject to erosion unless the investment strategy implemented can support the current and future levels of spending. Net of spending, the aggregate portfolio must grow at a rate equal to or in excess of the rate of inflation and expenses in order to avoid real principal invasion. The portfolio is to be managed as a moderate risk portfolio.
- b. The performance objective for the Pride Endowment Fund is to be:
  - i. 4.5% + CPI + management fee over a 3-5 year period.
- c. The Investment Committee shall review the elements of this equation over a five, eight and ten year period based on calendar year-end balances and will recommend adjustments to the Investment Managers as necessary.

**VI. Payout Guidance**

- a. This guidance has two major objectives. The first is to preserve the purchasing power or real value (inflation adjusted) of permanently endowed funds. The second is to provide consistent/increasing cash flow in support of the Wisconsin Lions Foundation projects.
- b. The Investment Committee recognizes that fluctuations in the economy and market returns could force the investment policy to be more conservative and even possibly lead to negative investment returns on a short term basis. As such, there are different distribution measurements.
- c. Spending rate for distribution and asset base calculation.
  - i. Payout will be 4% of the Fair Market Value of the Endowment Fund as valued on June 30th of each year if the Total Return of the Fund is 6% or greater averaged over the last three fiscal years, net of expenses. Payout will be made on September 1 and March 1 of each year.

- ii. Payout will be 3% of the Fair Market Value of the Endowment Fund as valued on June 30th of each year if the Total Return of the Fund is greater than 0% and less than 6% averaged over the last three fiscal years, net of expenses. Payout will be made on September 1 and March 1 of each year.
- iii. Payout will be 2% of the Fair Market Value of the Endowment Fund as valued on June 30th of each year if the Total Return of the Fund is less than 0% averaged over the last three fiscal years, net of expenses. Payout will be made on September 1 and March 1 of each year.
- iv. Contributed Principal will always be protected and not allowed to be paid out. Should the Fund experience successive years with negative returns where gains would be eliminated and contributed principal is the balance, no funds will be paid out until the Endowment Fund recovers and has total returns which could be paid out.
- v. If a payout as noted above (the 4%, 3% or 2%) were to require withdrawing from contributed principal, the payout from the Fund will be reduced by the amount that would have been contributed principal.

## **VII. Performance Reviews**

- a. The Pride Endowment Fund will be reviewed on an as-needed basis, but no less than annually. Consolidated performance reports, which include all of the investment accounts under the Investment Managers management, will be prepared and distributed quarterly. In addition, each member of the Investment Committee will have internet access to the accounts for reviewing the portfolio summary only.
- b. Performance will be compared to indices such as Standard and Poor's 500 Stock Index, the Lehman Brothers Intermediate Aggregate Bond Index, and the U.S. Treasury Bill, in proportions reflecting the target weights, and to other relevant indices such as the Morningstar Domestic Hybrid Index or the Lipper Average Balanced Fund Index.
- c. This Investment Policy Statement will be reviewed regularly and revised as needed in the judgment of the Lions Pride Investment Committee.