

Greater Spokane Valley  
Chamber of Commerce  
Statement of Investment Policy and  
Guidelines

To be presented to the Board of Directors  
June 24, 2020

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## Objective

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The purpose of the Statement of Investment Policy and Guidelines is to assist the Greater Spokane Valley Chamber of Commerce's Finance Committee and management in supervising and monitoring the investment activities of the Chamber's Long Term Operating Reserve Fund and to establish instructions to guide the investment management of the assets toward the desired results. It is intended to be specific enough to be meaningful and flexible enough to be practical.

The Finance Committee and management shall act in good faith, with the care that a prudent person in a like position would exercise under similar circumstances.

The goal of the investment portfolio is to provide for preservation of capital and reasonable growth of assets to best meet the needs of the Chamber's Long-Term Operating Reserve Fund. The purpose of this fund is to provide the Chamber an operating reserve for any force majeure event or situation that may cause the Chamber to have severely diminished operating revenues, i.e., a hurricane or natural disaster. The goal is to have 180 days of operating expenses reserved and invested. In 2015, this target would be \$1,000,000. The Board also approved a motion from the Finance Committee in 2015 to fully fund this account.

The objectives of the Long-Term Operating Reserve Fund portfolio are as follows, in order of priority:

1. Preservation of capital
2. Inflation protection
3. Income generation

The Chamber also maintains an operating cash account and an opportunity fund account as well as temporarily restricted funds from time to time. Due to the nature of these accounts, investment by each will be limited to cash and cash equivalents.

## **Delegation of Responsibilities**

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### Responsibilities of Finance & Executive Committee:

- Action taken by the Finance Committee must also be approved by the Executive Committee.
- Establish and revise as appropriate this Statement of Investment Policy and Guidelines.
- Establish and revise as appropriate target asset allocation.
- Establish mutually acceptable fee schedules for third parties involved in the investment of the Long-Term Operating Reserve Fund
- Select, contract with, and, when appropriate, terminate the third parties involved in the investment of the Chamber's Long-Term Operating Reserve Fund. This could include the custodian, investment managers and investment consultant.
- Establish and revise, as appropriate, allocations across investment styles and investment managers that are consistent with the Chamber's target asset allocation.
- Rebalancing shall be done on a semi-annual basis or more frequently if deemed necessary.
- Provide investment managers with specific investment objectives and guidelines that are consistent with the overall investment guidelines of the Chamber.
- Evaluate the investment performance of the investment managers relative to the respective objectives.
- Approve Statement of Investment Policy and Guidelines (including target asset allocation) annually.

### Responsibilities of Management:

- Oversee the operational investment activities of the Chamber subject to the policies and guidelines established by the Finance and Executive Committees.
- Implement the allocation of the Chamber's assets among asset classes, investment styles and investment managers as approved by the Finance Committee.
- Implement the periodic rebalancing of the Chamber's assets as directed by the Finance Committee.
- Understand the short- and long-term fiscal needs of the Chamber and if the investments made will meet these needs
- Make recommendations to the Finance Committee as appropriate for the investment of the funds.

#### Responsibilities of the Investment Managers:

- Manage the Chamber's assets with full discretion, in accordance with the investment policies and guidelines stated herein and in accordance with the manager contract between the Chamber and the investment manager.
- Communicate promptly, or at least quarterly, with the Finance Committee and/or Chamber staff regarding all significant matters, including but not limited to:
  - investment returns,
  - changes in the investment manager's outlook and strategy,
  - shifts in portfolio construction (asset mix, sector emphasis, etc),
  - commentary regarding major influences on performance,
  - changes in the investment manager's ownership, organization structure, or professional staffing (additions and departures), and
  - other changes of a substantive nature
- Measure, evaluate and report the performance of total assets and individual asset classes relative to established performance benchmarks on a periodic basis.
- Comply with all laws and regulations that pertain to the investment manager's duties, functions and responsibilities as a fiduciary of the Chamber.
- Vote proxies on the securities held in the Chamber's portfolio in accordance with the manager's fiduciary duties and professional judgment
- Disclose any potential conflicts of interest to the Finance Committee.

#### Responsibilities of the Custodian/Broker-Dealer:

- Hold the individual bonds owned by the Chamber at the local broker-dealer or bank executing the bond trades. The local broker-dealer or bank will provide quarterly statements to the Chamber showing the securities, interest payments and the market value.
- Hold shares of all mutual fund investments at broker-dealer or bank. The asset holder will provide monthly statements showing market value and will provide transaction confirmations to the President and CEO and Treasurer when a buy or sell occurs.
- Meet with the Finance Committee as requested.

## Return and Risk Parameters

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The Finance Committee and management have established the following return and risk parameters for the Chamber's Long-Term Operating Reserve Fund.

- The primary investment objective is the preservation of capital balanced with the desire to maximize longer-term investment returns within the established risk parameters and approved target asset allocation.
- The possibility of short-term declines in market value is acceptable in order to receive potentially higher long-term investment returns.
- Assets will be strategically allocated within asset classes and investment styles in order to enhance investment returns.
- The investment program's assets are to be sufficiently diversified to reduce volatility.
- Diversification of assets may be achieved by:
  - Allocating assets to multiple asset classes,
  - Allocating assets among various investment styles, and
  - Retaining multiple investment management firms with complementary investment styles, philosophies, and approaches.
- The time horizon for evaluating performance of the Chamber's Long-Term Operating Reserve Fund will be long-term. The time frame for evaluating the performance of the investment managers will generally be rolling three-year periods.
- Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

## Target Asset Allocation

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The target asset allocation reflects current desired risk/return position of the Chamber. The Long-Term Operating Reserve Fund should be rebalanced periodically to reflect the target asset allocation and ranges detailed below:

### ALLOCATION RANGE

Asset Allocation Range	Target	Upper limit
Cash & Equivalents	5%	0 – 15%
Fixed Income	60%	20 – 60%
Equities	35%	20 – 40%
Equities: International	10%	5 – 15%

*\*Sum of all allocations cannot exceed 100%*

*\*Subject to review with the investment managing partner once a relationship is established.*

## Rebalancing Procedure

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Long Term Operating Reserve Funds assets will be rebalanced by management on a periodic basis to bring the asset allocations of the various asset classes in line with the target asset allocation. In general, the rebalancing will occur on a quarterly basis or when, in the opinion of the committee or custodian/broker-dealer, asset class market values have deviated significantly from their respective target allocations. Management in conjunction with the custodian/broker-dealer will initiate rebalancing recommendations.

## Performance Benchmarks

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### Total Fund Performance Benchmarks

Performance benchmarks are necessary to properly measure and evaluate the success of the Chamber's Future Needs Fund. Performance should be based on quarterly time-weighted returns, net of investment management fees, unless otherwise stated.

Over rolling three-year periods, the Total Fund should outperform the Total Fund Index. This composite index shall be composed of relevant individual indices that reflect the Fund's Target Asset Allocation.

Performance objectives are to be met on a net of fees basis. The investment performance of each asset allocation class will be measured on two levels: against inflation objectives for the total Organization and against index objectives for individual portfolio components. Investment performance shall be measured no less than quarterly on a net of fees basis. Performance shall be evaluated on a three to five-year basis to allow for market fluctuations and volatility.

The composition of the index follows:

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Asset Class	Relevant Index	Total Fund Allocation
Large-Cap Domestic Equities	S&P 500	10%
Small-Cap Domestic Equities	Russell 2000	5%
International Equities	MSCI EAFE	5%
Market Duration Bonds	BC Aggregate	25%
Short Duration Fixed Income	BC 1-3 Aggregate	50%
Short Term Fixed Income/Cash	Treasury Bills	5%

## **Investment Guidelines and Restrictions**

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The following are investment restrictions for separate account investment managers. In the case of pooled investment vehicles (mutual and commingled funds), the investment guidelines and restrictions defined and detailed by the vehicle will apply. The Finance Committee and management are responsible for the review of such guidelines and restrictions prior to investment.

Care should be taken for cash and cash equivalents to be FDIC insured to the fullest extent possible.

### **Derivative Investments**

Unless a specific type of derivative security is allowed in this document, the Investment Manager(s) must seek permission from the Finance Committee to include derivative investments in the fund portfolio. The Investment Manager(s) must present detailed information as to the expected returns and risk characteristics of such investment vehicles.

### **Stock Exchanges**

Investment advisors will execute equity transactions through the following exchanges: New York Stock Exchange, American Stock Exchange, and the NASDAQ over the counter market. In the event an Investment Manager determines that there is a benefit or a need to execute transactions in exchanges other than those listed in the statement, written approval is required from the Finance Committee.

### **Prohibited Assets**

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

- Commodities and Futures Contracts
- Private Placements
- Options
- Limited Partnerships
- Venture-Capital Investments
- Real Estate Properties
- Interest Only (IO), Principal Only (PO), and Residual Tranche CMOs
- Bonds with a rating of less than BBB-
- Non-negotiable securities
- Derivatives
- High risk or junk bonds
- Precious metals
- Short sales
- Any margin transactions
- Straddles

- Warrants
- Options
- Life insurance contracts
- Leverage or letter stock
- REITs, and UITs.

### **Prohibited Transactions**

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

- Short Selling
- Margin Transactions

### **Other Restrictions**

- Unless specified otherwise in writing, equity holdings should be readily marketable and diversified by issuer, industry and sector.
- An individual security position may not exceed 10% of an equity manager's portfolio market value.
- An individual bond issuer, except for the U.S. Treasury and Agency obligations, may not exceed 5% of a fixed income manager's portfolio market value.
- Fixed income portfolios must have a minimum average quality rating of A-.