

NIGP: The Institute for Public Procurement

Investment Policy Statement

October 26, 2017

Introduction

This statement of Investment Policy has been adopted by the Finance Council to provide guidelines for the investment of funds held by the association.

For the purposes of managing investment risk and to optimize investment returns within acceptable risk parameters, the funds shall be held in three separate investment pools. The process for determining the dollar amount in each pool is set forth in the “Procedures” section of this document. The three investment pools shall be called the “**Operating Fund**,” the “**Short Term Reserve**” and the “**Long-Term Reserve**.”

Procedures

1. The following procedures shall be followed to ensure the investment policy statement is consistent with the current mission of NIGP and accurately reflects the current financial condition:
 - a. This investment policy shall be reviewed annually by the Chief Executive or his/her designee, the NIGP Treasurer and the Finance Council for any necessary revisions to ensure the policy statement is consistent with the current mission of NIGP and accurately reflects the current financial condition of the Institute.
 - b. Recommendations for any revisions or modification shall be made by the Chief Executive or his/her designee, the NIGP Treasurer, or member to the Finance Council and approved by the Council.
2. The following procedures shall be used to determine the dollar amounts to be placed in the Operating Fund, the Short-Term Reserve and the Long-Term Reserve. Dollars not specifically designated for the Short-Term Reserves or the Long-Term Reserves shall be restricted to investments designated in the “Investment Guidelines” for the Operating Fund.
 - a. The Chief Executive or his/her designee, in consultation with the NIGP Treasurer and the Finance Council, shall determine the dollar amount to be placed in the Operating Fund, the Short-Term Reserve and the Long-Term Reserve; except as provided in sub-section b below.

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- b. The Chief Executive or his/her designee may deposit funds into the Operating Fund for protecting cash that would exceed the maximum federally insured deposits in a bank account.
3. It is anticipated that from time to time the services of a registered investment advisor shall be sought to manage portions of NIGP funds. The following procedure shall be followed to engage a new or replace a current registered investment advisor.
 - a. The Finance Council shall determine the frequency for soliciting competitive proposals from qualified firms that wish to serve as NIGP's Investment Counselor and shall select the Counselor.
 - b. The Finance Council shall assess the performance of the Investment Counselor as least annually to adhere with its fiduciary responsibility. The assessment shall include a review of the fees charged by the Counselor and the investment performance of funds managed by the Counselor consistent with market conditions and benchmarks. The assessment shall serve as the basis for determining when to solicit proposals for a new Counselor.

Operating Fund

Purpose

The purpose of the Operating Fund is to provide sufficient cash to meet the financial obligations of the NIGP in a timely manner

Investment Objectives

The investment objectives of the Operating Fund are:

- 1.) Preservation of Capital;
- 2.) Liquidity; and
- 3.) To optimize the investment return within the constraints of 1 and 2 above

Allowable Investments

The Chief Executive or his/her designee, the NIGP Treasurer, and any Investment Advisor/Consultant retained by NIGP shall be authorized to invest the

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NIGP Operating Fund, upon consultation with and the written concurrence of one of the remaining two, as follows:

- 1.) Federally-Insured Certificates of Deposit not to exceed \$250,000 including interest at commercial banks or savings and loans institutions;
- 2.) Money market funds that invest in government backed securities;
- 3.) Interest bearing checking accounts in federally insured banks and savings and loans not to exceed federally insured amounts;
- 4.) Direct Obligations of the U.S. Government, its Agencies and instrumentalities;
- 5.) Agency Discount Notes; and
- 6.) Repurchase agreements with institutions whose senior debt rating is rated double A or better by Standard & Poor's and Moody's.

Maturity

The maturities on investments for the Operating Fund shall be limited to one year or less.

Reporting

NIGP staff shall prepare reports monthly for presentation to the Chief Executive or his/her designee. The Chief Executive or his/her designee shall present a report quarterly to the NIGP Treasurer and the Finance Council. The report shall include but not be limited to the following:

- 1.) Schedule of investments.
- 2.) Interest income year to date
- 3.) Current Yield

Short-Term Reserve

Purpose

The purpose of the Short-Term Fund is to meet the expenses occurring as the result of unanticipated activities, improve the return on funds held for expenditure over the next one to three years, and to manage investment risk.

Investment Objectives

The investment objectives of the Short-Term Fund are:

- 1.) Preservation of Capital;
- 2.) Liquidity; and
- 3.) To optimize the investment return within the constraints of (1.) and (2.) above.

Investment Guidelines

The investment policies and restrictions presented in this statement serve as a framework to achieve the investment objectives at a level of risk deemed acceptable. These policies and restrictions are designed to minimize interfering with efforts to attain overall objectives, and to minimize excluding allocation and diversification of the assets for the purposes of increasing investment returns and/or reducing risk exposure. The Manager of these funds has broad responsibility to shift the commitment of assets among asset classes, industry sectors and individual securities to pursue opportunities presented by long-term secular changes within the capital markets.

Target Asset Mix

Asset Class	Minimum Weight	Target Weight	Maximum Weight
Cash & Equivalents	10%	20%	60%
Equity	0%	0%	0%
Fixed Income	40%	80%	90%
Total		100%	

Allowable Investments

The Chief Executive or his/her designee, and any Investment Advisor/Consultant retained by NIGP shall be authorized to invest the NIGP Short-Term Fund as follows:

- 1.) Federally-Insured Certificates of Deposit not to exceed \$250,000 including interest at commercial banks or savings and loans institutions;
- 2.) Money Market Funds that invest in government backed securities;
- 3.) Interest bearing bank deposit programs not to exceed federally insured amounts;
- 4.) Direct Obligations of the U.S. Government, its Agencies and instrumentalities;
- 5.) Investment Grade Fixed Income (bond) mutual funds.

Prohibited Investments

The Short-Term assets will not be invested in equities or equity mutual funds.

Maturity

The Short-Term Fund shall invest in securities appropriate for a one to three-year investment horizon.

Diversification

No more than 10% at cost of the Short-Term Fund may be in the securities of any one issuer except for obligations of the U.S. Government, its agencies and instrumentalities, repurchase agreements collateralized by obligations of the U.S. Government, its agencies and instrumentalities, federally insured certificates of deposit and mutual funds.

Performance Reporting

The Short-Term Fund will be evaluated quarterly on a total return basis by the Investment Consultant who will submit a written report to the Chief Executive or his/her designee.

Long-Term Reserve

Purpose

The purpose of the NIGP Long-Term Reserve is to provide financial stability; to ensure the real growth of capital to meet the future needs of NIGP and to provide a source of revenue to bridge a possible budget shortfall in each year. In the normal course of events, it is expected that the monies allocated to the Long-Term Reserve will not be used in each 5 to 7-year period.

Objectives

The objectives of the account should be pursued as a long-term goal designed to maximize the returns without exposure to undue risk. It is understood that fluctuating rates of return are characteristic of the securities markets. The greatest concern should be long-term appreciation of the assets and consistency of total portfolio returns. Recognizing that short-term market fluctuations may cause variations in the account performance, the expectations of the account shall be to achieve the following objectives over a three to five-year period.

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- 1.) The account's total return should exceed the increase in the Consumer Price Index by 1% annually.
- 2.) The account's total return should exceed the increase in the Treasury Bill 13 Week Index by a minimum of 2% annually.
- 3.) The portfolio shall be invested to minimize the likelihood of low negative total returns, defined as a one-year return worse than -10%. It is anticipated that a loss greater than this will occur no more than once every twenty years.

Investment Guidelines

The investment policies and restrictions presented in this statement serve as a framework to achieve the investment objectives at a level of risk deemed acceptable. These policies and restrictions are designed to minimize interfering with efforts to attain overall objectives, and to minimize excluding any appropriate investment opportunities. The policy allows substantial discretion in the asset allocation and diversification of the assets for the purposes of increasing investment returns and/or reducing risk exposure. The Investment Managers of these funds shall have broad responsibility to shift the commitment of assets among asset classes, industry sectors and individual securities to pursue opportunities presented by long-term secular changes within the capital markets, with in the constraints of this Investment Policy.

Target Asset Mix

Asset Class	Minimum Weight	Target Weight	Maximum Weight
Large Cap Stocks	30	32.5	40
Mid Cap Stocks	0	5	10
Small Cap Stocks	0	5	10
International Stocks	10	15	20
Inv. Grade Bonds	30	32.5	40
High Yield Bonds	0	5	10
Alternative Strategies	0	5	10

100%

A portion of the portfolio may be invested in alternative asset allocation strategies using any regulated investment vehicle (typically mutual funds)

Equities

The part of the portfolio invested in stocks should be representative of the overall stock market. The objective of the stock portfolio is to provide returns that are inline with targets.

Prohibited Equity Investments

The following investments are prohibited:

- 1.) Private placements.
- 2.) Letter stock.
- 3.) Options, except in mutual funds.
- 4.) Commodity or futures trading, except where the trading objective is to preserve principal.
- 5.) Short selling except in mutual funds where the trading objective is to preserve principal.

Diversification

The above guidelines are subject to a maximum 5% commitment at cost or 10% commitment of the account's market value for an individual security and 20% for a particular industry.

Fixed Income

Investments in fixed income securities shall be actively managed to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. These investments shall be subject to the following limitations:

- 1.) Any investment appropriate for the Operating Fund.
- 2.) Corporate bonds rated investment grade by both Moody's and Standard & Poor's. Direct purchases of investment grade bonds are not allowed, investments in this asset class will be facilitated using diversified ETF, open ended or closed end mutual funds.
- 3.) Corporate bonds rated below investment grade. Direct purchases of bonds below investment grade are not allowed, investments in this asset class will be facilitated through the use of diversified ETF, open ended or closed end mutual funds.
- 4.) International Bonds.

Prohibited Fixed Income Investments

The following investments and investment activities are prohibited:

- 1.) Private Placements;
- 2.) Purchase or sale of interest rate futures;

Performance Reporting

The Long-Term Reserve shall be evaluated quarterly on a total return basis by the Investment Consultant who shall submit a written report to the Chief Executive or his/her designee, the NIGP Treasurer and the Finance Council. The Chief Executive or his/her designee shall report quarterly to the Finance Council and annually to the Governing Board.