Purpose of the Investment Policy Statement (revised November 2021)

This policy establishes investment objectives, policies, guidelines and eligible securities related to all assets held by the Pennsylvania West State Soccer Association ("the Organization") primarily for investment purposes ("institutional funds"). In doing so, the policy:

- Clarifies the delegation of duties and responsibilities concerning the management of institutional funds.
- Identifies the criteria against which the investment performance of the Organization's investments will be measured.
- Communicates the objectives to the Executive Board, staff, investment managers, brokers, donors and funding sources that may be involved.
- Confirms policies and procedures relative to the expenditure of institutional funds.
- Serves as a review document to guide the ongoing oversight of the management of the Organization's investments.

Investment Objective

The overall investment objective of the Organization is to maximize the return on invested assets while minimizing risk and expenses. This is done through prudent investing and planning, as well as through the maintenance of a diversified portfolio.

Delegation of Responsibilities

The Executive Board has a direct oversight role regarding all decisions that impact the Organization's institutional funds. The Executive Board delegates the supervisory responsibility for the management of the Organization's institutional funds to the Investment Committee. Specific responsibilities of the various bodies and individuals responsible for the management of our institutional funds are set forth below.

Responsibilities of the Executive Board

The Executive Board shall ensure that its fiduciary responsibilities concerning the proper management of the Organization's institutional funds are fulfilled through appropriate investment structure, internal and external management, and portfolio performance consistent with all policies and procedures. Based on the advice and recommendations of the Investment Committee the Executive Board shall:

- Select, appoint and remove members of the Committee.
- Approve investment policies and objectives that reflect the long-term investment-risk orientation of the endowment.
- Approve the retention and/or dismissal of investment consultants and/or other outside professionals.

Responsibilities of the Investment Committee

Members of the Investment Committee are not held accountable for less than desirable outcomes, rather for adherence to procedural prudence, or the process by which decisions are made in respect to endowment assets. In consideration of the foregoing, the Investment Committee is responsible for the development, recommendation, implementation and maintenance of all policies relative to the Organization's institutional funds and shall:

- Develop and/or propose policy recommendations to the Executive Board with regard to the management of all institutional funds.
- Recommend long-term and short-term investment policies and objectives for our institutional funds, including the study and selection of asset classes, determining asset allocation ranges, and setting performance objectives.
- Determine that institutional funds are prudently and effectively managed with the assistance of the Executive Director and by the review of the Executive Board any necessary investment consultants and/or other outside professionals, if any.
- Monitor and evaluate the performance of all those responsible for the management of institutional funds.
- Recommend the retention and/or dismissal of investment consultants and/or other outside professionals.
- Receive and review reports from the Executive Director, investment consultants and/or other outside professionals, if any.
- Periodically meet with the Executive Director, investment consultants and/or other outside professional managers, investment consultants and/or other outside professionals.
- Convene at a minimum, quarterly to evaluate whether this policy, investment activities, risk management controls and processes continue to be consistent with meeting the goals and objectives set for the management of institutional funds.

Responsibilities of Executive Director

The Executive Director shall be responsible for the day-to-day administration and implementation of policies established by the Executive Board and/or the Investment Committee concerning the management of institutional funds. The Executive Director shall also be the primary liaison between any investment consultants and/or other outside professionals that may be retained to assist in the management of such funds. Specifically, the Executive Director shall:

- Oversee the day-to-day operational investment activities of all institutional funds subject to policies established by the Executive Board and/or the Investment Committee.
- Contract with any necessary outside service providers, such as: investment consultants, investment managers, banks, and/or trust companies and/or any other necessary outside professionals.
- Ensure that the service providers adhere to the terms and conditions of their contracts; have no material conflicts of interests with the interests of the Organization and performance monitoring systems are sufficient to provide the Investment Committee with timely, accurate and useful information.
- Regularly meet with any outside service providers to evaluate and assess compliance with investment guidelines, performance, outlook and investment strategies; monitor asset allocation and rebalance assets, as directed by the Investment Committee and in accordance with approved asset allocation policies, among asset classes and investment styles; and, tend to all other matters deemed to be consistent with due diligence with respect to prudent management of institutional funds.
- Prepare and issue periodic status reports to the Executive Board and the Investment Committee.

Investment Considerations

In accordance with the Organization’s understanding of Pennsylvania Uniform Principal and Income Act (Title 20 Chapter 81, § 8101 through § 8112), the Investment Committee must consider the purposes of both the Organization and the assets in managing and investing institutional funds. All individuals responsible for managing and investing the Organization’s institutional funds must do so in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. In making any decision relative to the expenditure of institutional funds, each of the following factors must be considered, and properly documented, in the minutes or other records of the applicable decision-making body:

- General economic conditions
- Possible effect of inflation or deflation
- Expected tax consequences, if any, of investment decisions or strategies
- The role that each investment course of action plays within the overall investment portfolio of the fund
- Expected total return from the income and appreciation of the investments
- Other resources of the Organization
- The needs of the Organization and the fund to make distributions and preserve capital
- An asset’s special relationship or special value, if any, to the Organization’s purpose

Investing Goal

The investment goal of the total return fund is to achieve a total return (income and appreciation) of 5% after inflation, over a full market cycle (3-5 years). The following guidelines apply to the three main investment asset classes 1) Money Market Funds, 2) Equities and 3) Fixed Income.

Guidelines for Investing

Money Market Funds: Allowable range – Minimum 5%; Maximum 45% of total assets

A quality money market fund will be utilized for the liquidity needs of the portfolio whose objective is to seek as high a current income as is consistent with liquidity and stability of principal. The fund will invest in “money market” instruments with remaining maturates of one year or less, that have been rated by at least one nationally recognized rating agency in the highest category for short-term debt securities.

Equities: Allowable Range – Minimum 25%; Maximum 60% of total assets

The equity component of the portfolio will consist of high-quality equity securities traded on the New York, NASDAQ or American Stock exchanges.

At the time of purchase, no more than 5% of the equity portion of the account will be invested in any one issuer. Also, not more than 20% of the equity portion of the account will be invested in stocks contained within the same industry.

It is acceptable to invest in an equity mutual fund(s) adhering to the investment characteristics identified above, as long as it is a no-load fund, without 12b-1 charges, which maintains an expense ratio consistent with those other funds of similar investment styles as measured by the Lipper and/or Morningstar rating services.

Prohibited equity investments shall include, but are not limited to, initial public offerings, restricted securities, private placements, derivatives, options, futures and margined transactions. Understanding that market offerings will continue to evolve over time the list of prohibited securities can be amended per approval by the Executive Board.

Exceptions to the prohibited investment policy may be made only when assets are invested in a Mutual Fund(s) that periodically utilizes prohibited strategies to mitigate risk and enhance return.

Fixed Income: Allowable Range – Minimum 25%; Maximum 75% of total assets

Bond investments will consist solely of taxable, fixed income securities that have an investment-grade rating (A or higher by Standard & Poor's and / or by Moody's) that possess a liquid secondary market. If the average credit quality rating differs among the two rating agencies, then the lower rating shall be used as the guideline. If non-rated, the securities must be clearly shown to be of comparable quality through due diligence of the acting investment managers, brokers, etc. and approved by the Executive Board.

At the time of purchase, no more that 5% of the fixed income portfolio will be invested in corporate bonds of the same issuer. Also, not more than 20% of the fixed income portfolio will be invested in bonds of issuers in the same industry.

The maximum average maturity of the fixed income portfolio will be 10 years, with not more than 25% of the bond portfolio maturing in more than 10 years.

Prohibited securities shall include, but are not limited to, private placements, derivatives (other than floating-rate coupon bonds), margined transactions and foreign denominated bonds. Understanding that market offerings will continue to evolve over time the list of prohibited securities can be amended per approval by the Executive Board.

Exceptions to the prohibited investment policy may be made only when assets are invested in a Mutual Fund(s) that periodically utilizes prohibited strategies to mitigate risk and enhance return.

Due to active rebalancing the investment manager is permitted to a plus (+) or minus (-) 5% variance from the target asset allocation at the time of purchase. It is possible that, depending on market conditions, the upper limit of the equity allocation could vary above 60% and that the lower limit of the fixed income could vary below 25%, however it is important stay within the allocation limit guidelines as often as possible.

Performance Measurements Standards

The benchmarks to be used in evaluating the performance of the two main asset classes will be:

- **Equities:** *S&P 500 Index* – Goal: Meet or exceed the average annual return of the index over a full market cycle (3-5 years).

- **Fixed Income:** Barclays Capital U.S. **Corporate Bond Index** – Goal: Meet or exceed the average annual return of the index over a full market cycle (3-5 years).

It will be the responsibility of the Investment Committee of the Executive Board to regularly review the performance of the investment account and investment policy guidelines, and report to the Executive Board at least quarterly with updates and recommendations as needed.

Expenditure Considerations

The Executive Board and the Investment Committee are responsible for the establishment of a balanced reserve fund spending policy, and in doing so:

- Will endeavor to generate, over the medium-to-long term, sufficient investment return shall be retained to preserve and grow its economic value as a first priority.
- Will endeavor to provide funds for the annual operating budget in an amount which is not subject to large fluctuations from year-to-year to the greatest extent possible.

Expenditure of Institutional Funds

All decisions relative to the expenditure of institutional funds must assess the uses, benefits, purposes and duration for which the institutional fund was established, and, if relevant, consider the following factors:

- The duration and preservation of the institutional fund
- Purposes of the Organization and the fund
- General economic conditions
- Possible effect of inflation or deflation
- Expected total return from income and appreciation of investments
- Other organizational resources
- All applicable investment policies
- Where appropriate, alternatives to spending from the institutional fund and the possible effects of those alternatives.

For each decision to appropriate institutional funds for expenditure, an appropriate contemporaneous record shall be kept and maintained describing the nature and extent of the consideration that the appropriate body gave to each of the stipulated factors.

Donor Restrictions

In all instances, donor intent shall be respected, to the extent it is possible or practical when decisions are rendered concerning the investment or expenditure of donor restricted funds. If a donor, in the gift instrument, has directed that appreciation not be spent, the Organization shall comply with that directive and consider it when making decisions regarding the management and investment of the fund. Any attempt to lift restrictions on any fund shall be conducted in full compliance with the law.

Reserve Fund Expenditures

Each year, the Organization is authorized to withdraw **up to 5%** of the total market value of the investment account (market value to be determined as of the last business day of the preceding year) for the organization's operating purposes. That spending percentage is applied to the three-year average of the December market value. Using a three-year market value average will help to even out any fluctuations thatmay occur in the value of the account. The dollar amount and timing of any distribution(s) from the investment account will be left up to the discretion of the Executive Board and the Treasurer.