

## **MPA Investment Policy Statement**

### **1. Investment Policy Statement Overview**

- A. Identify standards of conduct that govern the management of MPA investment funds.
- B. Outline the composition and responsibilities of the MPA Investment Committee.
- C. Establish guidelines for managing MPA's investments with a focus on risk management, capital preservation, and long-term growth.

### **2. Standards of Conduct**

- A. MPA is an Indiana nonprofit corporation which is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. MPA. MPA does not manage endowment funds as defined under Indiana's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Consistent with the standards of conduct applicable to MPA under UPMIFA, the management and investment of MPA funds shall include:

- i) Duty of loyalty (i.e., operating in the best interest of the organization);
- ii) Duty of care (i.e., good faith and with care of a prudent person acting in a like position would use under similar circumstances);
- iii) Duty to minimize costs (i.e., to incur only costs that are appropriate and reasonable in relation to the organization's assets, purposes, and available skills);
- iv) Make effort to verify facts relevant to the management and investment of funds;
- v) Prudent investor standards including consideration of:
  - a. General economic conditions;
  - b. Possible effect of inflation or deflation;
  - c. Expected tax consequences (MPA should typically be exempted from paying taxes on investment profits because it is a non-profit corporation);
  - d. Role of each investment or course of action in relation to the overall investment portfolio;
  - e. Expected total return from income and appreciation;
  - f. Other MPA resources;
  - g. Needs of MPA and the Investment Portfolio to make distributions when needed (as spelled out in this policy statement) and to preserve capital;
  - h. An asset's special relationship or value, if any, to the charitable purposes of MPA;
  - i. Where applicable, investment considerations are subject to the terms of a gift instrument.
- vi) Subject to the limitations of this statement and applicable law, permission to invest in any kind of property or investment;

- vii) Requirement to diversify investments, unless due to special circumstances that the purposes of the Investment Portfolio are better served without diversification;
- viii) Requirement to dispose of unsuitable assets received as gifts (if applicable).

B. To avoid conflicts of interests (e.g., an Investment Committee member with interests in a particular company) and to support the goal of investment diversification, the MPA Investment Committee will only invest in publicly traded funds (e.g., exchange-traded funds, mutual funds, index funds, bond funds) rather than individual stocks or bonds.

C. Moreover, the Investment Committee will not invest MPA funds in any firm or in any vehicle that may, as a result of the transaction, monetarily benefit a member of the Investment Committee or MPA officers.

D. The Investment Committee shall, to the extent reasonable and practicable, avoid investments than run contrary to MPA's mission and values, as determined by the MPA Investment Committee in consultation with the MPA Council.

3. Investment Committee and Investment Committee Membership

- A. MPA's Board of Directors (Council) has a direct oversight role regarding all decisions that impact MPA's institutional funds. The Council has delegated supervisory responsibility for the management of MPA's funds to an Investment Committee (Investment Committee).
- B. The Investment Committee will be composed of three members appointed by MPA Council, with at least one member being a current Council member. The Investment Committee serves as an MPA Council Committee, which means that Council has the authority to appoint, modify, and terminate the appointment of the Investment Committee (see Section 9, MPA by-laws).
- C. All non-Council Investment Committee members serve two-year terms, at which point, Council will vote on their reappointment or select replacements. Although Investment Committee members may be reappointed, they serve at the pleasure of Council.
- D. MPA Council will select one member of the Investment Committee to serve as its Chair, with this individual responsible for calling regular meetings of the Investment Committee to discuss investment matters, for communicating between the Investment Committee and MPA officers (e.g., Council, MPA Treasurer), for executing investment activities in the Investment Account (currently at Charles Schwab Corporation), and for compiling and presenting reports to MPA Council and to MPA membership at the annual meeting.
- E. The Investment Committee Chair and the MPA Treasurer will both be authorized individuals on the Investment Account. Any individual who ceases service on the Investment Committee or as an MPA officer will be removed from an authorized individual role on the Investment Account immediately upon the end of their service.
- F. The MPA Treasurer is solely responsible for both deposits into the MPA Investment Account and withdrawals from the MPA Investment Account.

G. Should the Investment Committee conclude that there is insufficient expertise within the committee to determine MPA's investments, it can enlist an Investment Consultant, with the approval of MPA Council, to provide advice on investments and goals. Investment Consultants are expected to be registered investment advisors under the Investment Advisors Act of 1940. All expenses for such experts will be appropriate and reasonable in relation to the assets, the purposes of the MPA investment portfolio, and the skills of the Investment Committee. Ultimately, the Investment Committee is responsible for investment decisions (including considering advice offered by Investment Consultants), and the Investment Committee functions as an extension of MPA Council.

#### 4. Investment Committee Responsibilities

##### A. Investment Decision Making

- i) Follow UPMIFA standards of conduct and operate in the best interests of MPA.
- ii) Develop, periodically review, and adjust the MPA investment strategy to align MPA goals with prevailing market circumstances.
- iii) Attend Investment Committee meetings, to be held no less frequently than once every four months (i.e., at least three times per year), either in person or by electronic means (e.g., video conferencing).
- iv) Execute investment decisions based on the investment policy (see Point 5, below).
- v) Oversee and review the performance of Investment Consultants (if used), reporting on these evaluations to MPA Council annually or more frequently as appropriate.

##### B. Performance Monitoring

- i) Review investment performance quarterly against benchmarks (most notably, looking for annualized relative performance and relative risk in approximately the same neighborhood as comparable Moderate and Moderately Conservative benchmarks, considering the goals of the MPA Investment Account regarding capital preservation and risk tolerance).
- ii) Adjust allocations and investment strategies in response to market conditions to align with MPA investment goals and risk parameters.

##### C. Reporting and Accountability

- i) Provide reports to MPA Council and to MPA membership at the annual meeting.
- ii) Provide ad hoc reports to MPA Council or to the MPA Treasurer as requested.
- iii) Offer recommendations for policy adjustments based on market conditions and investment performance.

#### 5. Investment Goals and Policies

##### A. The primary goal of the MPA Investment Account is to maintain sufficient financial reserves to offset catastrophic conditions that could severely impact MPA for a one-year period (e.g., global pandemic, unexpected disruption to the conference). This target amount will be provided by the MPA Council and updated annually on July 15, and it

reflects the amount needed to maintain the organization for one entire year of expenses under a “worst case scenario” (currently set at \$250,000, but subject to change).

- B. The MPA Investment Account should achieve relative performance (and maintain relative risk) in approximately the same neighborhood as comparable Moderate and Moderately Conservative benchmarks (see also 4Bi and 5Dii).
- C. Cash is to be employed productively at all times by investment in short-term cash equivalents (e.g., Certificates of Deposit) to provide safety, liquidity, and return.
- D. The MPA Investment Account tolerates moderate degrees of risk, understanding that risk is present in all types of securities and investment styles, and that some risk is necessary to produce long-term investment results that meet MPA investment objectives. In addition to considering the risk-versus-return performance of the MPA Investment Portfolio compared to comparable Moderate and Moderately Conservative benchmarks (see above), risk will also be evaluated regularly based on Morningstar Risk assessments, where risk is assessed ranging from low risk (1) to high risk (5) categories. The risk level on this 5-point scale will be weighted by that investment’s composition in the overall investment portfolio. The overall mean weighted risk score for mutual funds and ETFs will not exceed “average” risk (i.e., mean weighted risk across the portfolio will be 3 or less) to ensure that risk is not excessive in nature regardless of returns.
- E. The appendix provides the current Asset Allocation Guidelines for the Investment Committee, and these guidelines will be revisited by the Investment Committee at least once per year (and more often, based on market conditions and MPA needs). The Asset Allocation Guidelines are established to diversify the investment portfolio and to represent relative distributions of investments that balance growth potential with modest risk and some degree of fixed income.
- F. In general, the portfolio will favor exchange-traded funds (ETFs) over mutual funds because of lower expense ratios and less susceptibility to devaluing during downturns (when mutual funds may have to sell holdings for losses when experiencing high levels of redemption), although there may be circumstances when a mutual fund is desirable (e.g., lack of a suitable ETF).
- G. The MPA Investment committee will strive to ensure that all fees and expenses incurred are appropriate, reasonable, and minimal in relation to the investment goals (e.g., emphasizing ETFs to reduce expense ratios, relying on committee expertise over an Investment Consultant to reduce costs).
- H. Because MPA regular expenses should be paid by dues (for MPA’s day-to-day operating expenses) and conference registration fees (for annual conference expenses), it is expected that withdrawals from the Investment Account will only take place in unusual or unexpected circumstances to deal with shortfalls in the MPA checking account or to support organizational initiatives as outlined by MPA Council. If withdrawals are required, MPA Council will consult with the MPA Investment Committee about how

withdrawals can take place in a manner that minimizes impact on investments (e.g., using cash or CDs over ETFs and mutual funds, timing of withdrawals).

- I. Periodically and at regular intervals, the MPA Checking Account (overseen by the MPA Treasurer) will be assessed (on January 15 and July 15) to determine the general financial health of MPA. In cases where Checking Account funds are especially high (greater than \$120,000, as assessed on April 1), MPA Council should direct the MPA Treasurer to deposit surplus funds into the MPA Investment Account. On the other hand, in cases where Checking Account funds are especially low (less than \$20,000, as assessed on December 1), MPA Council should direct the MPA Treasurer to withdrawal funds from the Investment Account (in consultation with the Investment Committee, see previous point) to address potential financial needs. These dates and amounts may be adjusted by Council to support the goals and interests of MPA.

## Appendix: MPA Asset Allocation Guidelines

<b>Asset Class</b>	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
<b>Equity investments</b>	<b>60%</b>	<b>85%</b>	<b>90%</b>
US Large Cap	40%	55%	65%
US Small Cap	10%	15%	20%
International and emerging markets	5%	10%	25%
<b>Fixed income</b>	<b>10%</b>	<b>15%</b>	<b>40%</b>

### *Notes*

- 1) The Investment Committee will identify particular investment positions in the above asset classes (e.g., index funds, specific sectors such as technology or health) that balance returns and risks in line with the policies and goals spelled out in this document.
- 2) Fixed income positions will typically be in Certificates of Deposit (from FDIC insured institutions), US fixed securities, or treasury bills that provide favorable returns and extremely low risk.
- 3) Prohibited equity investments specifically include: initial public offerings, restricted securities, private placements, derivatives, options, futures, and margined transactions.