

## **ALSSA Reserves Investment Policy**

Approved by the Finance & Audit Committee on December 18, 2003  
and the ALSSA Board of Directors on May 2, 2004

### **Purpose**

The purpose of this ALSSA Reserves Investment Policy is to enable ALSSA to carry out its fiduciary responsibility regarding management of its financial reserves as required by law and modern corporate governance procedures.

ALSSA's revenues consist of operating funds and reserves. Operating Funds are made up of membership dues, meeting registration fees and program revenues received annually by the association and used to pay for ALSSA's operating expenses, meetings and programs.

Reserves (or fund balances) are normally the result of accumulated surpluses in the financial operations of the activities and programs of the association and are defined as total net assets. The fund balances are maintained as reserves to facilitate the continuing operation of the association's activities in the event of unusual financial conditions or to address unbudgeted and extraordinary expenses. ALSSA's policy is that the amount of reserves should be sufficient to cover, at a minimum, 75 percent of one year's operations, excluding meetings, with a continuing objective of reserves sufficient to cover at least one full year's operations.

### **Investment Objectives**

ALSSA's reserves will be divided into two fund categories: Cash Equivalents and Fixed Income. The objective of the Cash Equivalents Fund is to provide a liquidity bridge between operating funds and longer term investments. It is designed for preservation of capital and liquidity and to optimize return within these constraints taking into account that preservation of capital is the highest priority. The goal shall be to obtain a rate of return on an annual basis that is competitive with the returns available in money markets and certificates of deposit.

The objective of the Fixed Income Fund is preservation of capital and liquidity and to optimize returns by investing in high quality fixed income securities with maturity horizons of 48 months or less, although there is a strong preference for maturity horizons of 36 months or less.

### **Allowable Investments**

#### *Cash or Equivalents Funds – Ten (10) Percent of Reserves*

- CDs;
- Treasury Bills;
- Commercial Paper; and
- Money Market Funds.

These funds should be very liquid and readily convertible into cash without a loss in principal, e.g., maturities of 90 days.

### Fixed Income Funds – Ninety (90) Percent of Reserves

- CDs;
- Treasury Bills;
- Commercial Paper;
- U.S. Government and Agency Securities; and
- Corporate Notes and Bonds with an investment grade of “AA” or higher.

A ladder should be constructed with 33 percent of the fixed income funds invested in each of 12, 24, and 36 month maturities, and it shall be the goal to maintain this percent of investment distribution. The maximum maturity for any single security is 48 months, although in general maturities should be 36 months or less unless there is a compelling reason, e.g., a significantly high rate of return, to select a 48 month maturity.

### **Prohibited Investments**

- Equities including mutual funds that invest in equities
- Commodities and Futures Contracts
- Private Placements
- Options

### **Prohibited Transactions**

- Short Selling
- Margin Transactions

### **Investment and Cash Management**

Management of the association’s day to day operations fund will be the responsibility of the President of ALSSA. The Finance & Audit Committee will provide advice and oversight on the level of operation funds to be maintained.

Management of ALSSA’s Reserves will be the responsibility of the President of ALSSA acting with the advice and oversight of the Finance & Audit Committee. ALSSA’s reserves will be managed through a national financial investment firm consistent with the association’s investment policy. The Board of Directors will approve the appointment of the non-discretionary investment advisor and it will be the policy to compensate the non-discretionary investment advisor on a commissions or fixed fee basis instead of a percent of assets fee basis.

### **Performance and Reporting**

There will be a semi-annual report to the Finance & Audit Committee on the investment transactions, portfolio and performance of the reserves investments. The Finance Committee will report to the Board and provide a recommendation on retention of the investment advisor on a yearly basis.

The President of ALSSA shall review and communicate to the Finance & Audit Committee semi-annually information on reserves investment performance. The Finance & Audit Committee shall approve specific investment decisions or may delegate such authority to the President within the policy provisions on allowable assets.

## **Information Disclosure**

ALSSA officers, directors, members, staff and agents shall make no disclosures to the Association's investment advisor of non-public information regarding any publicly traded ALSSA member companies. ALSSA's investment advisor shall be advised by the President of ALSSA of this policy and that non-public information regarding ALSSA member companies from other sources should not be considered in any actions or recommendations with respect to ALSSA's investments.

## **Policy Revisions**

This Investment Policy may only be revised or amended with the approval of the ALSSA Board of Directors.