**Seattle Rotary Service Foundation**

**Investment Policy Statement**

**Revised January 15, 2020**

**Delegation of Responsibilities (Revised 5/26/16)**

The Board of the SRSF – The overall business and affairs of the Foundation shall be managed by the Board of Trustees. The Board is the ultimate authority for sub-committees of the foundation.

The Finance Committee (FC) – The FC shall provide oversight for the investment and reinvestment of Foundation funds. The FC is responsible for development of structure and process for the infrastructure of the management of Foundation assets. The FC will act as the liaison between the Investment Committee (IC) and the Board of Trustees. The FC shall from time to time make recommendations to the Board of Trustees and implement procedures and practices for carrying out the fiscal objectives and accounting practice of the Foundation.

The Investment Committee (IC) – The IC is a sub-committee created through the Finance Committee that is dedicated to the prudent management of various SRSF funds. The IC has explicit oversight over the management of the RF. With regard to the RF the IC is responsible for reviewing and monitoring investment results, reviewing and recommending changes to the IPS, reviewing and recommending hiring and termination of investment managers, advising and educating the Trustees on various investment issues, and actively participating in investment manager selection process.

The Investment Advisor (IA) – The IA is responsible for assisting in the development of the investment policy statement, developing and recommending asset allocation strategies, monitoring the Fund’s investments, recommending investment vehicles and managers to the IC, and providing periodic investment reports to the IC.

The Investment Managers (IM) – Appointed by IC to manage investment assets in accordance to stated fund objectives. Manager selection will be done in accordance with strategic allocation.

The Custodian - Acts as an independent party from the investment managers. Their responsibilities include: the safekeeping of securities, reconciling account positions and activity with the investment managers, accounting for the collection of interest and dividends, accounting for security transactions, and preparing periodic account statements.

**Investment Committee Charter (Revised 5/26/16)**

***Functions of the Committee –*** The Investment Committee shall perform functions of an investment fiduciary. The Committee shall comply with all applicable fiduciary, prudence, and due diligence requirements experienced investment professionals would utilize; and with all applicable laws, rules and regulations that may impact the Investment Portfolios. The Committee shall have the responsibility for:

* Formulating and recommending to the Finance Committee investment policies and guidelines, including asset allocations, and administration of Fund assets
* Acting in a consultative capacity for the Finance Committee and Board with respect to all investment matters
* Reviewing and monitoring investment results
* Reviewing and approving hiring and termination of investment managers and investment advisors
* Reporting directly to other responsible parties on all investment matters
* Submit a written report to the FC within 90 days of each quarter-end
* Orchestrate an annual meeting and investment update to the FC within 90 days of the end of the calendar year

***Definition of a Fiduciary -*** A fiduciary is defined as a person who has the legal and/or implied moral responsibility to manage the assets of another person. A fiduciary must act solely in the best interests of that person. The IC is subject to certain duties and responsibilities, including, but not limited to:

* Prudently diversify the portfolio to a specific risk/return profile
* Prepare, execute and maintain an investment policy statement
* Have investment decisions made by prudent experts
* Control and account for all investment-related expenses
* Monitor the activities of all investment-related service vendors
* Avoid conflicts of interest and prohibited transactions

***Membership –*** The Investment Committee will be comprised of a minimum of three members and a maximum of five members. Once the initial IC has been selected by the Finance Committee those members of the IC would become responsible for the election of all future members with submission to the FC for final approval. Criteria for inclusion on the IC include, but are not limited to:

* Possess substantial experience in the investment industry with a preferred emphasis on skills dealing with foundation and/or trust investments
* Removal of an IC member would require a vote of at least 60% of approval from other members, the addition of a new member would require a 100% vote of current members and final approval of the FC.

***Meetings –*** Criteria for Investment Committee meetings include, but are not limited to:

* Making a best efforts commitment to meeting on a quarterly basis throughout the year
* If member misses more than two meetings in a year, the member is subject to automatic removal from the Committee
* Committee will make every effort to make sure meeting dates are compatible with each member’s time availability
* Members will coordinate meeting times within 45 days of quarter-end

**INVESTMENT FUNDS:**

**SRSF Reserve Fund (Revised 5.26.16)**

The investment policy of the Seattle Rotary Service Foundation (SRSF) Reserve Fund is the responsibility of the Investment Committee of the SRSF. The Investment Committee will provide recommendations from time to time to the Finance Committee and Board of Trustees as to the investment policies. Such policies shall remain in effect until revisions are approved by the Board.

**Investment Overview – Reserve Fund (RF)**

The Seattle Rotary Service Foundation’s Board of Trustees is responsible for allocating funds to the club’s committees, overseeing the foundation’s investments, and raising funds. The committee allocations help these groups reach a broader community both locally and globally, providing invaluable services.

The primary objective of the RF is to support the advancement of the mission of the SRSF. For over 100 years the Rotary Club of Seattle has been dedicated to helping others in the community and throughout the world. Much of the club’s philanthropic work is accomplished through the SRSF of which all Seattle #4 Rotarians are automatically members. The RF is an unrestricted pool of assets designated by the Board to generate principal growth and investment income to support the advancement of the mission. The Board may from time to time direct additional funds to the fund or transfer from the fund as it deems necessary to meet the mission of the foundation.

**Statement of Investment Goals and Objectives**

This statement of investment goals and objectives expresses the Reserve Fund’s position regarding risk tolerance and the asset allocation of the Fund; defines the spending policy; sets forth an appropriate set of goals and objectives for the Fund’s assets; and defines parameters within which the Investment Committee may formulate and execute their investment decisions.

***General Investment Guidelines*** – In general, Reserve Fund investments have been designed with an objective similar to an endowment model. There is not a formal obligation for the contribution of additional capital to the Fund. The structure of the current assets held in the Fund should support the main objectives of current income, long-term growth of principal and capital preservation.

The goal of the Fund is to preserve purchasing power in perpetuity. Therefore, the Fund will be invested in a diversified asset portfolio with the expectation of total return, consistent with prudent investment management. Total return, as used herein, includes income plus realized and unrealized gains and losses on Fund assets.

Overall Fund structure targets and permissible ranges for eligible asset classes are detailed in Table I of the IPS.

Full discretion, within the parameters of this IPS, is granted to the Investment Managers regarding the allocation of invested capital, the selection of securities, and the timing of transactions. The Manager is responsible for making an independent analysis of each security and their appropriateness as an investment for this Fund.

***Diversification –*** The Reserve Fund is to be broadly diversified across major equity and fixed income asset classes in a manner to limit the impact of large losses in individual asset classes. The broad asset classes include but are not limited to Domestic Equity, International Equity, Domestic Fixed Income, and International Fixed Income. Levels of diversification should be prudently aligned with the risk/return profile of the overall Fund objectives.

The Committee will be aware of manager diversification within the portfolio but will be allowed the ability to dedicate management of all assets to a single manager when prudent. Under some circumstances the Fund will benefit from committing capital to an asset allocation fund under the direction of a single manager. The overall allocation of any combination of asset allocation Fund’s should align closely with allocation targets included in Table I.

***Liquidity Needs –*** There is not a formal liquidity standard in which the Reserve Fund will be held. However, for the purpose of the investment policy and as a benchmark for Fund administration the Committee has agreed upon an annual target payout. The target payout for the Fund is 3.0% of the rolling 3-year average assets under management (AUM). Formal analysis of this target will be done using end of year (EOY) values. A secondary benchmark for assessing the Fund’s ability and willingness to execute the payout target will be if the current AUM is above the original basis of Fund contributions (basis as of 3/31/2016 is $300,000).

***Investment Vehicles –*** Investment vehicles for the Reserve Fund will be limited to investment structures deemed to be highly liquid. Accepted products include mutual fund and ETF products with high liquidity and a consistent daily trading market. Investment structures considered illiquid are not appropriate for the objectives of the Fund.

***Rebalancing Policy –*** The Investment Committee along with Investment Advisor will address any rebalancing need on at least a quarterly basis. The Committee will assess whether the allocation continues to align with the targets set forth in Table I. If any asset class is outside of the range formalized in the strategic asset allocation, it would call for the need to rebalance. In the case of the strategic asset allocation being implemented through asset allocation funds there is a natural rebalancing mechanism inherent in the funds that would reduce the need for manual rebalancing.

Intermittent cash flows throughout any time period will allow for a natural rebalance opportunity within the administration of the fund.

**Dividends and Capital Gains Distribution Policy** – All dividends and capital gains will be reinvested into the same investment vehicle they were distributed from.

**Investment Review**

***Review of Investment Objectives -*** The achievement of investment objectives will be reviewed on an annual basis. This review will focus on the continued feasibility of achieving the objectives and the continued appropriateness of the IPS. It is not expected that the IPS will change frequently; in particular, short-term changes in the financial markets should generally not require an adjustment in the IPS.

***Review of Investment Managers -*** The IC will review results of all managers at least annually. With a perspective toward 1-, 3-, and 5- time horizons. The IC will evaluate whether each manager has:

* Performed satisfactorily when compared with the specific objectives for its portfolio
* Produced results that compare favorably to other investment management organizations managing similar portfolios
* Performed in-line with returns of appropriate proxy indices
* Managers will be monitored according to the following qualitative guidelines: departure of one or more key investment professionals, violation of fund objectives, and material changes within the manager’s organization.

***Review of Investment Advisor –*** An informal evaluation of the Investment Advisor will be done annually within 90 days after the end of each SRSF fiscal year end. The Committee will communicate any suggestions for improvements to the IA. The Committee will also communicate any decisions to retain or consider termination of the IA to the Board.

***Reporting Requirements –*** Within three weeks after the end of each month and quarter the Fund’s Investment Advisor will provide a performance report for the overall fund. The Custodian will provide a monthly statement and reconciliation of account activity on a monthly basis within three weeks of the end of the month.

The Investment Advisor will provide on request an annual performance analysis of individual managers held within the Fund.

**Strategic Asset Allocation Table (Table I)**

Over the long-term, the asset allocation policy will be the key determinant of the returns generated by the Fund and the associated volatility of returns. Based on the Fund’s objectives, circumstances, and spending policy, the Trustees have developed the following asset mix guidelines:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset Class** | **Minimum** | **Target Allocation** | **Maximum** | **Policy Monitoring Benchmarks** |
| US Equity – Large Cap | **16.0%** | **22.0%** | **28.0%** | Russell 1000 Index |
| US Equity – Small/Mid Cap | **2.0%** | **6.0%** | **10.0%** | Russell 2000 Index |
| Foreign Developed Markets  | **8.0%** | **14.0%** | **20.0%** | MSCI EAFE Index |
| Global Equity | **0.0%** | **10.0%** | **15.0%** | MSCI World Index |
| Emerging Markets Equity | **0.0%** | **5.0%** | **10.0%** | MSCI Emerging Markets Index |
| **Total Equity** |  | **57.0%** |  |  |
| U.S. Diversified Fixed Income | **22.0%** | **30.0%** | **38.0%** | Barclays Capital Aggregate Index |
| Foreign Bond | **2.0%** | **8.0%** | **14.0%** | Barclays Global Aggregate ex-US |
| Cash | **0.0%** | **1.0%** | **3.0%** | Citigroup 3 Mo Treasury Bill Index |
| **Total Fixed Income** |  | **39.0%** |  |  |
| Global Real Estate | 0.0% | 4.0% | 6.0% | FTSE EPRA/NAREIT Developed |
| **Total Real Asset** |  | **4%** |  |  |

**Rotary Boys and Girls Club Funds (Revised 2/22/17):**

The “Rotary Boys & Girl Club Fund.” The fund was established May 5th 2004 to establish a perpetual fund with the intent that the funds will support the Rotary Boys & Girls Club (RB&GC). Concurrently the Boys and Girls Club of King County Inc. established a matching fund with the intention of matching the SRSF donation. The fund will pay out 5% of its asset balance (including all earnings and interest thereon), as of January 1, of each year and such amount will be paid to RB&GC prior to April 10th of the same year. The RB&GC of King County promised to match this 5% grant on an annual basis. The distributions can exceed 5% to address emergency needs with the approval of 75% of the trustees of SRSF then in office.

Donations to the fund included the original $250,000 and two additional donations of $200 in March of 2010 and $600 in February of 2012 for a total investment of $250,800. The funds are currently managed by the Seattle Foundation using their balanced strategy. The fees for the money managers are approximately 95 to 99 basis points plus a community service fee of 1%. The money managers that manually bill the foundation for fees are shown on the statements, but those that only provide net returns do not show up on the statements. The Seattle Foundation automatically distributes the annual 5% requirement to the SRSF, usually the first week in March and the SRSF distributes the funds to the RB&GC by the April 10th deadline.

During the IPS Committees 2016 audit of the distributions it was found that several years were not properly distributed by the Seattle Foundation and adjustments were made and distributed over fiscal year 2015/2016 and 2016/2017. Starting in 2017 the Investment Policy Committee will confirm the distributions are made per the agreement and report the results in their Q2 report to the Finance Committee. The Seattle Foundation provides benchmark comparisons. The IPC will compare returns to those benchmarks as well as other indexes and market analysis. The Seattle Foundation has stringent investment procedures which includes an experienced investment committee consisting of ten members, three of which are board trustees. They rely on an institutional investment advisor, Colonial Consulting, who charges 7 basis points for advising the investment committee and the Foundations on all issues related to their investments. The committee meets quarterly and annually reviews the allocation targets. The IPC will monitor the foundation’s adherence to their investment discipline.

**Ann & John O’Neil Endowed Fund (Revised 2/22/17):**

The “Ann & John O’Neil Endowed Fund”. The fund was established March 29th 1999 with a starting deposit of $60,000. The distributions are based on a 6/30 fiscal year end distribution. The fund is to distribute 50% of the total return (interest, dividends and gains or losses) using a three-year rolling average. 50% of the total return is to support the general operating expenses of the RB&GC and the remaining 50% is used to pay for administrative and investment management fees and for reinvestment into the endowment. Starting November 1, 2016, if the total return for the year is a negative return, no distribution will be made for that year. There will be no catch -up provisions for the lost years.

The funds are currently managed by the Seattle Foundation using their balanced strategy. The fees for the money managers are approximately 95 to 99 basis points plus a community service fee of 1%. The money managers that manually bill the foundation for fees are shown on the statements, but those that only provide net returns do not show up on the statements. The Seattle Foundation requires a request from SRSF in order to distribute the funds. The Seattle Foundation provides benchmark comparisons. The investment Policy Committee will compare returns to those benchmarks as well as other indexes and market analysis. The IPC will monitor the Anne & John O’Neil Endowed Fund in the same as the Rotary Boys & Girls Fund.

The O’Neil fund requires the RB&GC to submit a request for the funds including a brief description of the year’s achievements and challenges by 8/1. Upon receipt of that request the SRSF will request Seattle Foundation distribute the requested funds to the SRSF and then distribute requested amount to RB&GC by 8/31 with the funds financial results. Starting in 2017 the Investment Policy Committee will confirm the funds available for distributions, if distributions are made and that the reporting requirements were fulfilled. The IP committee will report the results in their Q3 report to the Finance Committee.

**Legacy Funds (Revised 2/22/17 SRSF Reserve Acct: $98,000; Legacy Fund: $319,000)**

The Legacy funds were established to enhance the foundations planned giving efforts. A packet was developed with the help of a paid consultant, Frank Minton. Sten Cristy and Don Kraft were active on the committee. A few bigger gifts were received. The largest a testamentary bequest from Danner Graves that would be in his will to establish a $100,000 fund restricted for the international travel expenses of Seattle Rotary members to be hands-on for international service projects.

**Legacy Landmark (Revised 2/22/17 - $13,500 value)**

The Legacy Landmark fund was created by SRSF as a temporarily restricted fund made up of contributions to support a significant landmark capital project yet to be identified. The Legacy Landmark funds will be invested using the same investment strategy as the reserve account and segregated into its own securities account. Due to the small amount in the fund ($12,000) we would use the single fund option available for the reserve fund. Income and capital gains will be reinvested and any distributions would be initiated from the SRSF board.

**Legacy Seattle4Ever/Holmes (Revised 2/22/17 - $255,000 value)**

The legacy Seattle4ever fund is also known as the Endowment Legacy Fund or the Century of Service Fund was created by SRSF as a permanently restricted endowment fund for SRSF activities. Each year, any income portion would be used to supplement support of currently budgeted items. To preserve the earnings power of the fund no more than 4% of the three-year rolling average income may be distributed to support the mission of the foundation. The fund is currently invested in the cash account. All interest earnings are automatically distributed to the SRSF operating budget.

**Willard E. and Josephine S. Bakken Winners for Life Scholarship Fund (Established 6/21/17 and funded 11/01/2017 – $73,000 value)**

Willard E. and Josephine S. Bakken Winners for Life Scholarship Fund was a gift from the Josephine S. Bakken Charitable Remainder UniTrust (CRUT) UA 10/07/97. $70,000 was received on 11/01/17 to create the fund. $6,000 was held in cash and 50% of the remainder invested and the other 50% invested 2 months later to dollar cost average the cash purchase. SRSF will use the assets to distribute two (one for a boy and one for a girl) Willard E. and Josephine S. Bakken Winners for Life Scholarship awards annually, until the entirety of the gift from the CRUT has been spent down. The amount of the scholarships will mirror that of the SRSF Winners for Life.

The funds will be invested using the same investment strategy as the reserve account and segregated into its own securities account, using the single fund option available for the reserve fund. Distributions are based on total return of the fund Income and capital gains will be reinvested and any distributions would be initiated from the SRSF board. The scholarships are selected in the spring and paid the following year.

**Steve Crane Scholarship Fund (Established 11-1-2019 - $10,150 value):**

The Steve Crane Memorial Rotaract Fund was established to honor the memory of Seattle Rotarian Steve Crane and his long-time encouragement of young Rotarians. The fund will reimburse one or more District 5030 Rotaract members, as selected by the Seattle #4 Rotaract Club, to attend either a Rotary District Annual Conference, the Rotary International Conference, or a conference dedicated to issues around global health. A total annual distribution of $750 will be made on or before March 1st of each calendar year, per the written request of the Seattle #4 Rotaract Club President to the Grants Committee of the Seattle Rotary Service Foundation (SRSF). The Crane Scholarship Fund will be a temporarily restricted fund, administered by SRSF, and due to the small amount in the fund ($10,150) SRSF will use the single fund option (currently Vanguard’s Balanced Fund) to achieve a 60/40 asset allocation.

**CB Financial Services (Established 4-23-2019)**

Investment account established to facilitate funding from the Bill and Melinda Gates Foundation for the benefit of Rotarian Malaria Partners for the express purpose of matching Rotary Clubs’, Districts’ and Rotary-membership organization’s financial support of Malaria elimination projects. Investment objective - principle preservation (i.e. money market) with daily liquidity.

**Operating Funds (Revised 2/22/17):**

This is an unrestricted fund whose objective is to fund the operation and capital expenses of SRSF and provide financial stability during regular cash flow functions as well as temporarily restricted funds will be held in cash that is FDIC or FSLIC insured or AAA rated money market. Temporarily restricted funds are comprised of funds received from donor’s subject to spending restrictions but not yet distributed, such as District funds.

**Acceptance of Investment Policy Statement Dated January 28, 2020.**

This revised IPS supersedes any previous statements. I (we), the undersigned, have carefully reviewed and hereby approve and adopt this Investment Policy Statement.

Investment Committee Chair Date

Jeffrey J. Pritchard

Investment Committee Member Date

Jack Lauderbaugh

Investment Committee Member & Finance Committee Chair Date

Candy Lee

SRSF Board Chair 2019/2020 Date

Patricia Bostrom

SRSF Board Chair Elect 2020/2021 Date

Nancy Cahill