

# NC-SARA May 2024 Board Meeting Materials for Finance Committee Update

## Investment Policies - Revisions

### NC-SARA's SHORT-TERM FUND

**Purpose:** The goal of NC-SARA's Short-Term Fund is to provide sufficient cash to meet financial obligations in a timely manner and to meet the expenses occurring as a result of unanticipated activities.

**Definition:** Short-Term Fund are those funds that are expected to be spent and received in the normal course of business and to meet expenses from unanticipated activities required by NC-SARA to fulfill its mission.

**Objectives:** The investment objectives of the Short-Term Fund are as follows:

1. Liquidity
2. Preservation of capital
3. Optimize the investment return and income within the constraints of 1 and 2 above
4. Achieve market yield consistent with each category of investment while avoiding excessive risk.

**Investment Guidelines for Short-Term Fund:** The Finance Director, with the approval of the President, shall be authorized to invest NC-SARA's Short-Term Fund as follows:

- Checking accounts in U.S. federally insured banks and saving and loans not to exceed federally insured amounts of \$250,000.
- Federally-insured certificates of deposit, not to exceed \$250,000 per institution
- Direct obligations of the U.S. Government, its agencies and instrumentalities
- Money Market funds
- Mutual Funds, provided that 100% of the securities in the fund are obligations of the U.S. Government, its agencies or instrumentalities or collateralized by obligations of the U.S. Government, its agencies or instrumentalities
- The board will utilize recommendations and considerations brought forth by the Financial Advisor, President, and Finance Director, in conjunction with their own review of performance, to reassess these Investment Guidelines for Short-Term Fund, on an annual basis.
- The targeted maturity for the Short-Term Fund will be two years or less. The President will be responsible for scheduling maturities in collaboration with the Finance Director and Financial Advisor.

### NC-SARA's INTERMEDIATE-TERM FUND

**Purpose:** The goal of NC-SARA's Intermediate-Term Fund is to provide sufficient cash to fund planned future recurring and nonrecurring projects while preserving purchasing power.

**Definition:** Intermediate-Term Fund are those funds that are expected to be spent on projects in the 1-3 year timeframe.

**Objectives:** The investment objectives of the Intermediate-Term Fund are as follows:

1. Liquidity
2. Preservation of capital
3. Optimize the investment return and income over the appropriate time period

**Risk, Volatility and Loss:** NC-SARA will accept the portfolio exhibiting volatility characteristics that approximate the appropriate index as outlined under Addendum A – Investment Objectives.

**Asset Allocation:** Over time, the majority of a specific diversified income portfolio’s return will be driven by income from the underlying assets and some moderate level of capital appreciation.

The asset classes are:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Investment Policy Asset Allocation Range</b>	
<b>Domestic Equity</b>	15%	0%	30%
Large Capitalization			
Mid Capitalization			
Small Capitalization			
<b>International Equity</b>			
Developed Markets	5%	0%	10%
Emerging Markets	0%	0%	5%
<b>Fixed Income</b>	70%	30%	100%
<b>Money Market/Cash</b>	10%	5%	25%
<b>Total</b>	100%		

The targeted fixed income maturity for the Intermediate-Term Fund will be five years or less. The President will be responsible for scheduling maturities in collaboration with the Finance Director and Financial Advisor.

The board will consider recommendations brought forth by the Financial Advisor, President, and Finance Director, in conjunction with their own review of performance, to reassess the asset class allocations for the Intermediate-Term Fund, on an ongoing basis.

Prohibited Transactions

- Purchase of securities on margin, options of all types, letter stock, private placements, securities whose issuers have filed a petition for bankruptcy, short sales, specific industries or sectors as set forth by NC-SARA Finance Committee, tax exempt securities, and warrants are prohibited
- Stocks of member companies of NC-SARA (list to be provided by NC-SARA). NC-SARA recognizes that such restrictions may preclude certain investment managers from consideration and that the total return produced by “restricted” portfolios may vary from the composite returns published by each manager.
- The use of foreign stocks (with the exception of American Depositary Receipts) is prohibited.
- Any investments that may generate unrelated business income for NC-SARA.

- The manager shall not purchase assets other than those mentioned as being appropriate in this statement, without the written consent of the Finance Committee.

#### **NC-SARA's LONG-TERM FUND**

**Purpose:** The purpose of the Long-Term Fund is to provide financial stability to support the mission of NC-SARA.

The Long-Term Fund includes those funds set aside to meet any long-term capitalization requirements.

**(continue from here with existing policy language, although we suggest adding more to equities in Long-Term Fund with creation of Intermediate-Term Fund)**

#### **Suggested:**

- 45% domestic equity
- 15% international equity (12% developed, 3% emerging)
- 30% fixed income
- 8% liquid alternatives
- 2% money market/cash