



# Investment Policy Statement

## **BOD Y03-21-04-06 [Policy]**

### **I. Introduction**

- A. The Investment Policy Statement provides direction to the Finance and Audit Committee regarding day-to-day management of APTA's investments. The investment portfolio is managed in accordance with established short-term and long-term financial goals and with sufficient investment flexibility in the face of changes in capital market conditions.

Assets of the association shall be invested with the care, skill, and diligence that a prudent person would use in the investment of assets of institutions of like character and with like aims.

### **II. Purpose of the Investment Policy Statement**

- A. The Investment Policy Statement:
  - 1. Defines and assigns the responsibilities of all involved parties.
  - 2. Establishes a clear understanding for all involved parties of the investment goals and objectives of investment portfolio assets.
  - 3. Offers guidance and limitations to all investment managers and advisors regarding the investment of investment portfolio assets.
  - 4. Establishes a basis for evaluating investment results.
  - 5. Establishes the relevant investment horizon for which the investment portfolio assets will be managed.

### **III. Delegation of Authority**

- A. The APTA Board of Directors has delegated day-to-day management of the investment portfolio in accounts with the Board policy on investments.
- B. To ensure prudent administration of the investment portfolio, the Finance and Audit Committee is authorized to retain professional experts in various fields, including but not limited to investment advisors, investment managers, and custodians.
- C. The committee will delegate day-to-day management of the association's investments to the investment managers. Investment managers will be held responsible and accountable to achieve the objectives stated herein. All expenses for such experts must be customary and reasonable and will be borne by the investment portfolio.

### **IV. Responsibilities**

- A. Responsibilities of the Finance and Audit Committee regarding day-to-day management of the investment portfolio are to:
  - 1. Determine APTA's risk tolerance and investment horizon and communicate these to the appropriate parties.
  - 2. Develop reasonable and consistent investment policies, guidelines, and objectives, which will direct the investment of the investment portfolio's assets.
  - 3. Prudently and diligently review qualified investment professionals, including investment advisors, managers, and custodians, and instructing the advisors to make changes.
  - 4. Regularly evaluate the performance of the investment managers to ensure adherence to policy guidelines and monitor investment objectives.
  - 5. Periodically review and evaluate the services provided by the investment advisors, managers, and custodians.
  - 6. Periodically review the Investment Policy Statement and make recommendations to the Board of Directors when necessary.
- B. Responsibilities of the investment advisor are to:
  - 1. Assist in the development and review the appropriateness of guidelines, policies, and objectives.

2. Conduct investment manager searches when requested by the Finance and Audit Committee.
3. Provide “due diligence,” or research, on the investment managers.
4. Communicate matters of policy, manager research, and manager performance to the committee.
5. Review investment portfolio investment history, historical capital markets performance, and the contents of the Investment Policy Statement with any newly appointed members of the committee.
6. Provide objective advice on all investment matters relating to the investment portfolio.
7. Monitor and evaluate the existing investment portfolio managers on an ongoing basis for compliance with the Investment Policy Statement and, where necessary, recommend the selection of new investment portfolio managers.
8. Provide periodic reports, at least quarterly, to the committee, chief financial officer, and vice president of finance outlining current and trend performance data, to include benchmarking, percentile ratios, and other comparative performance results.

#### **V. Investment Objectives**

- A. The Board of Directors, with the advice of APTA’s investment advisor, has developed an investment strategy to accomplish the following objectives:
  1. To obtain the maximum possible return on association investment portfolios while ensuring adequate protection of invested assets.
  2. To avoid investments designed for speculation, recognizing that all investments carry with them some degree of risk, not only as to the safety of the principal itself, but also regarding the inflationary erosion that occurs from failure to achieve an adequate return on invested assets.
  3. To ensure that investments ensure sufficient liquidity to meet operating and contingency expenses.
  4. To view investment returns in a long-term context, recognizing that rates of return are volatile on a year-to-year basis and that achievement of the investment objectives will not progress uniformly over time.
  5. To avoid unnecessary levels of risk in achieving the stated objectives. Diversification, insofar as it reduces risk, is encouraged, and it may be necessary to forgo opportunities for potential large capital gains to achieve a moderate risk profile.
  6. To benchmark against an acceptable index and show a one-, three-, and five-year comparison.

#### **VI. Asset Allocation**

- A. Investment portfolio assets shall be managed as a balanced portfolio, comprising five major components: domestic equity, international equity, fixed income, alternative (real return), and cash. The assets will be invested in investment portfolios registered with the SEC as commingled, mutual investment portfolios, or exchange-traded investment portfolios offering daily liquidity and valuations, and competitive fees. The target allocation has been selected as the allocation most likely to meet the long-term return objectives with an appropriate level of risk. There may be temporary periods during which the target allocation may be adjusted, as agreed upon within the Finance and Audit Committee, as a response to market conditions or to preserve future capital expenditure strategies (e.g., to set aside investments for capital improvements).

#### **VII. Investment Portfolio Deposit, Withdrawal, and Rebalance Management**

- A. The portfolio’s actual asset allocation will vary from its target asset allocation because of varying periodic returns over time.
- B. The portfolio shall be rebalanced as needed to its target normal asset allocation range primarily using the cash flows into or out of the investment portfolio on a strategic basis. The investment advisor may provide a rebalancing recommendation as part of recommending specific investment portfolios for a substantial deposit or withdrawal.
- C. Portfolio deposits, rebalancing actions, and withdrawals for previously approved spending are coordinated by the chief executive officer, Finance Department staff, and the investment advisor. Once approved, the investment advisor provides an execution letter to the Finance Department staff, who forward this to the association’s trust agent.

### VIII. Revisions to the Manager List

- A. The investment advisor will provide a recommendation and rationale to the Finance and Audit Committee when they decide to revise the manager list. The committee shall review the rationale, determine the appropriate course of action, and provide updates to the Board of Directors. Upon approval by the committee, the investment advisor will provide an instruction letter to Finance Department staff, which then instructs the trust agent to execute the change.

### IX. Reporting

- A. The investment advisor shall provide the committee with quarterly portfolio performance reports showing trend data, bench marking comparisons, percentile ratios, and admin fees.
- B. The treasurer may request flash reports monthly.

### X. Definitions

- A. The “Finance and Audit Committee” (committee) is the group charged by the APTA Board of Directors to oversee the investment account placement, reporting, and monitoring. The committee operates in conjunction with the APTA Finance Department, investment advisor, and investment managers.
- B. “Investment manager” shall mean any individual, or group of individuals, employed to manage the investments of all or part of the investment portfolio assets. The investment manager has discretion to purchase, sell, or hold specific securities that will be used to meet the investment portfolio’s investment objectives.
- C. “Investment advisor” shall mean any individual or organization selected to provide advisory services, including advice on establishing investment policy, objectives, and guidelines; selecting investment managers, reviewing such managers over time; measuring and evaluating investment performance; and other tasks deemed appropriate.
- D. The “custodian” will physically (or through agreement with sub-custodian) maintain possession of securities owned by the investment portfolio, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of investment portfolio accounts.
- E. “Securities” shall refer to the marketable investment securities that are defined as acceptable in this statement.
- F. “Investment horizon” shall be the period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for the investment portfolio is five years.

#### Explanation of Reference Numbers:

HOD P00-00-00-00 stands for House of Delegates/month/year/page/vote in the House of Delegates minutes; the "P" indicates that it is a position (see below). For example, HOD P06-17-05-04 means that this position can be found in the June 2017 House of Delegates minutes on Page 5 and that it was Vote 4.

P: Position | S: Standard | G: Guideline | Y: Policy | R: Procedure

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