



Fowler Public Schools Education Foundation
Our Community. Our Schools. Our Legacy.

Foundation Board Meeting Notes Thursday, February 24, 2020

In Attendance:

Dan Schmitz
John Morse
Kristin Phillips
Scott Thelen
Amy Epkey
Nate Jandernoa
Lori Hyland joined at 6:14

Financial advisor: Ken Perrin, Huntington Bank

FPS Superintendent: Neil Hufnagel

Absent Board Members: Jason Smith

1. Meeting Overview (Amy Epkey)

Chairperson Amy Epkey called the meeting to order at 6:01. She introduced Ken Perrin, who is taking over for Joe Klein as financial advisor.

2. Investment Policy

Perrin reviewed recommendations as reflected in the attached investment policy.
Recommended to reflect ranges within allocations rather than a specific target.
Recommended changing fee structure, to reflect Huntington fee structure.
On average, since 2012, the fund has shown around a 9 percent return.

Dan motioned, Kristin seconded motion to accept investment policy as presented. All present in favor. Motion passed. (Policy attached to minutes)

Next steps: set up an account with account owners (John Morse and Amy Epkey), direct transfer of funds.

Need to provide: minutes from today showing acceptance of policy, bylaws, investment policy, tax ID, info on signatories

3. Approval of December and January meeting minutes

John motioned, Scott seconded, all present approved.

4. Treasurer's Report (John Morse)

Current bank balance: \$38,259.88
\$1312 net from bus trip, deposited today and not reflected in balance.
No outstanding bills from the bus trip.
Dan and Patty Schmitz donated PO Box fee.

5. Letter campaign donors

Need to add younger and new community members to email list. (Nate has a list of names to add.)

6. Future Events

Kristin motioned, Nate seconded to formally support the 2020 FPS bond campaign. All present approved.

Next steps: Nate will follow up by email and share needs from the support committee. Foundation members will discuss and vote via email, or call a meeting to discuss if needed.

7. Election of members and Officers

Jason Smith has decided not to serve another term.
Nate Jandernoa agreed to serve as a trustee.

Amy motioned to appoint Scott and Nate to a three year term as trustee. John seconded. All present approved.

Kristin motioned to appoint the below persons in the following roles. Dan seconded. All present approved:

Amy as chair
Scott as vice chair
John as treasurer
Kristin as secretary

8. 2020 meeting schedule:

May 4
June 1
October 5
November 2
December 7

Fowler Public Schools Education Foundation
Investment Policy Statement
February 24, 2020

I. Introduction

The Fowler Public Schools Education Foundation (hereinafter referred to as the "foundation") was created to provide perpetual financial support to Fowler Public Schools (the "school"). The purpose of this Investment Policy Statement is to establish guidelines for the foundation's investment portfolio (the "portfolio"). The statement also incorporates accountability standards that will be used for monitoring the progress of the portfolio's investment program and for evaluating the contributions of the manager(s) hired on behalf of the foundation and its beneficiaries.

II. Role of the Foundation Board of Trustees

The foundation board of trustees is acting in a fiduciary capacity with respect to the portfolio for overseeing the investment of all assets owned by, or held in trust for, the portfolio.

- A. This Investment Policy Statement sets forth the investment objectives, distribution policies, and investment guidelines that govern the activities of the foundation and any other parties to whom the foundation has delegated investment management responsibility for portfolio assets.
- B. The investment policies for the foundation contained herein have been formulated consistent with the school's anticipated financial needs and in consideration of the foundation's tolerance for assuming investment and financial risk, as reflected by the majority opinion of the foundation board of trustees.
- C. Policies contained in this statement are intended to provide guidelines, where necessary, for ensuring that the portfolio's investments are managed consistent with the short-term and long-term financial goals of the foundation. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in capital market conditions and in the financial circumstances of the foundation.
- D. The foundation board of trustees will review this Investment Policy Statement once per year. Changes to this Investment Policy Statement can be made only by affirmation of a majority of the foundation board of trustees, and written confirmation of the changes will be provided to all foundation members and to any other parties hired on behalf of the portfolio as soon thereafter as is practical.

III. Investment Objective and Spending Policy

- A. The foundation is to be invested with the objective of preserving the long—term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions to support of the school.
- B. For the purpose of making distributions based on an 80%/20% from donations and fundraising, the foundation shall make use of a total-return-based spending policy, meaning

that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments.

- C. The foundation board of trustees will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the foundation's spending policy, its target asset allocation, or both.

IV. Portfolio Investment Policies

A. Asset Allocation Policy

1. The foundation recognizes that the strategic allocation of portfolio assets across broadly defined financial asset and sub asset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and portfolio asset value stability.
2. The foundation expects that actual returns and return volatility may vary from expectations and return objectives across short periods of time. While the foundation wishes to retain flexibility with respect to making periodic changes to the portfolio's asset allocation, it expects to do so only in the event of material changes to the foundation, to the assumptions underlying the foundation's spending policies, and/or to the capital markets and asset classes in which the portfolio invests.
3. The foundation's assets will be managed as a balanced portfolio composed of two major components: an equity portion and a fixed income portion. The expected role of foundation's equity investments will be to maximize the long-term real growth of the portfolio's assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of portfolio equity investments.
4. Cash investments will, under normal circumstances, only be considered as temporary portfolio holdings and will be used for the foundation's liquidity needs or to facilitate a planned program of dollar-cost averaging into investments in either or both of the equity and fixed income asset classes.
5. Outlined below are the long-term strategic asset allocation guidelines determined by the foundation to be the most appropriate, given the foundation's long-term objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated across broad asset and sub asset classes in accordance with the following guidelines:

<u>Asset Class</u>	<u>Sub Asset Class</u>	<u>Maximum Allocation</u>
Equity		65-75%
US.		35-60%

	Non-US. Developed	15-35%
	Non-US. Emerging	0-10
Fixed income	25-35%	
	Investment grade	20-35%
	Below-investment grade	0-5%
Cash		1-15%

6. To the extent the portfolio holds investments in nontraditional, illiquid, and/or nonmarketable securities including (but not limited to) venture capital, hedge funds, and real estate investments, these assets will be treated collectively as alternative investments for purposes of measuring the portfolio's asset allocation. While not specifically considered within this policy, alternative investments may comprise no more than 15% of total portfolio assets and, to the extent they are owned, will proportionately reduce target allocations to the three primary asset classes itemized above.
7. Single donations, investments or injections of cash or stock, resulting in an 10% increase or more of fund value, the foundation shall evaluate and decide how to fold into portfolio within 90 days of the donation.

B. Diversification Policy

Diversification across and within asset classes is the primary means by which the foundation expects the portfolio to avoid undue risk of large losses over long time periods. To protect the portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the foundation will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

1. With the exception of fixed income investments explicitly guaranteed by the US government, no single investment security shall represent more than 5% of total portfolio assets.
2. With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or mutual fund shall comprise more than 20% of total portfolio assets.
3. With respect to fixed income investments, for individual bonds, the minimum average credit quality of these investments shall be investment grade (Standard & Poor's BBB or Moody's Baa or higher).
4. Investments should not contain more than 250,000 in a single bank.

C. Rebalancing

It is expected that the portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset and sub asset classes. The portfolio will be rebalanced to its target normal asset allocation.

1. The investment manager will review the portfolio semiannually (June 30 and December 31) to determine deviations from target weightings. During each semiannual review, the following parameters will be applied:
 - a) If any asset class (equity or fixed income) within the portfolio is +/-5 percentage points from its target weighting, the portfolio will be rebalanced.
 - b) If any fund within the portfolio has increased or decreased by greater than 20% of its target weighting, the fund will be rebalanced.
2. The investment manager may provide a rebalancing recommendation at any time.
3. The investment manager shall act within a reasonable period of time to evaluate deviations from these ranges.

D. Other Investment Policies

Unless expressly authorized by the foundation board of trustees, the portfolio and its investment managers are prohibited from:

1. Purchasing securities on margin or executing short sales.
2. Pledging or hypothecating securities, except for loans of securities that are fully collateralized.
3. Purchasing or selling derivative securities for speculation or leverage.
4. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given the objectives of the portfolio.

V. Monitoring Portfolio Investments and Performance

The foundation board of trustees will monitor the portfolio's investment performance against the portfolio's stated investment objectives. At a frequency to be decided by the foundation board of trustees, it will formally assess the portfolio and the performance of its underlying investments as follows:

- A. The portfolio's composite investment performance (net of fees) will be judged against the following standards:
 1. The portfolio's absolute long-term real return objective.
 2. A composite benchmark consisting of the following unmanaged market indexes weighted according to the expected target asset allocations stipulated by the portfolio's investment guidelines.
 - a) U.S. Equity: S & P 500 Total Market Index
 - b) Non-U.S. Equity: IVISC| EAFE +EM Index

- c) Investment Grade Fixed Income: Barclays Capital U.S. Aggregate Bond Index
 - d) Non-Investment Grade Fixed Income: Barclays Capital U.S. Corporate High Yield Bond Index
 - e) Cash: FTSE 3-Month T-Bill Index
- B. The performance of professional investment managers hired on behalf of the portfolio will be judged against the following standards.
1. A market-based index appropriately selected or tailored to the manager's agreed-upon investment objective and the normal investment characteristics of the manager's portfolio.
 2. The performance of other investment managers having similar investment objectives.
- C. In keeping with the portfolio's overall long-term financial objective, the foundation board of trustees will evaluate the portfolio and the manager's performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a rolling five-year basis.
- D. Investment reports shall be provided by the investment manager on a calendar quarterly basis or as more frequently requested by the foundation board of trustees. Each investment manager is expected to be available to meet with the foundation board of trustees once per year to review portfolio structure, strategy, and investment performance.