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Texas Emergency Nurses Association

Investment Policy

Draft 12Jan2017

Introduction

This statement of investment policy is to establish the investment goals, objectives and policy guidelines for managing the short- and long-term investment funds of the Texas Emergency Nurses Association (TxENA). It is intended that these goals, objectives, and guidelines provide guidance and expectations in the management and performance of the funds to provide the flexibility to respond to given changing economic, business, and investment conditions.

For the purpose of managing investment risk and to optimize investment returns within acceptable risk parameters, the following funds will be created and held as separate investment pools:

- Operating Fund
- Short-term Reserve Fund
- Long-term Reserve Fund

Investment Goals

The Council's fund should be invested in such a manner as to:

- A. Maximize total returns consistent with (1) acceptable levels of risk, and (2) the liquidity needs of the TxENA; and
- B. Adhere to applicable statutes and policies related to fiduciary responsibility.

Procedures

- I. The following guidelines shall be followed to ensure the investment policy statement is consistent with the mission of the Texas Emergency Nurses Associations (TxENA) and accurately reflects current financial conditions;
 - a. The Finance Committee shall review this policy annually.
 - b. The Finance Committee shall forward recommendations of any changes to this policy to the Texas Emergency Nurses Association Board of Directors
- II. The following procedures shall be used to determine the dollar amounts to be placed in each of the various funds:
 - a. The Finance Committee shall recommend the dollar amounts to be held in the Operating Fund and Short-Term Reserve Fund.
 - b. The Finance Committee shall recommend the dollar amounts to be held in the Long-Term Reserve Fund.

Objectives

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50 The investment objective is to grow the value of the Councils investment funds over the long term and to earn rates of return greater
51 than those currently received by the Councils banking strategy, while avoiding undue risk and generating liquidity sufficient for the
52 needs of the Councils operations. Although, short-term fluctuations will affect portfolio performance, the Council expects: (a) the short-
53 term investments to preserve principal and the invested portion thereof to generate current income equal to a market rate of return for
54 short-term fixed income securities; and (b) the long-term investments to provide for any emergency liquidity needs of the Council and to
55 generate a total return net of investment expenses over a five-year moving time period that exceeds the rate of inflation plus three to
56 five percent (3-5%) annually.

57 58 **Delegation of Authority**

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60 The Finance Committee is a fiduciary ad hoc committee, and is responsible for directing and monitoring the investment management of
61 the various fund assets on behalf of the Texas Emergency Nurses Association. As such, the Finance Committee is authorized to
62 delegate certain responsibilities to professional experts in various fields. These include, but not limited to: investment management
63 consultants, investment managers, custodians, and any additional specialists, upon approval of the TxENA Board of Directors.

64
65 It is anticipated that the services of a registered investment manager may be sought to manage portions of the Long-Term Reserve
66 and/or Endowment Funds. The following procedure shall be followed to engage a new or replace a current investment manager:

- 67
68 A. The Treasurer and the Finance Committee shall recommend the hiring or replacing of an investment manager to the
69 Board of Directors.
70 B. The Treasurer and the Finance Committee shall nominate prospective candidates and send a Request for Proposal to
71 each candidate.
72 C. The Treasurer and the Finance Committee shall review proposals and interview candidates to determine appropriate
73 investment manager(s).
74 D. The Finance Committee shall make the hiring recommendation to the Board of Directors, who shall have the final
75 approval.
76

77 The investment managers, brokers, and/or bankers (managers) have the discretion to purchase, sell, or hold the specific securities
78 and/or funds that will be used to meet the investment objectives of the Council. The Board will not reserve any control over the
79 investment decisions with the exception of specific limitations described in these statements. Managers will be held responsible and
80 accountable to achieve the objective herein stated. While it is not believed the limitations will hamper managers, each manager should
81 request modifications which they deem appropriate.
82
83

84 **Operating Fund**

85 86 **Purpose**

87
88 The purpose of the Operating Fund is to provide sufficient cash to meet the day-to-day financial obligations of the Texas Emergency
89 Nurses Association in a timely manner.
90

91 **Investment Objectives**

92
93 The investment objectives of the Operating Fund are:

- 94
95 ➤ Preservation of Capital
96 ➤ Liquidity; and
97 ➤ To optimize the investment return within the constraints above.
98
99

100 101 102 **Investment Guidelines**

104
105 **Allowable Investments**
106

107 The President and Treasurer if authorized by the Board of Directors shall invest the Texas Emergency Nurses Association Operating
108 Funds as follows:
109

- 110 1. Interest bearing Savings Accounts;
 - 111 2. Certificates of Deposit at insured commercial banking organizations;
 - 112 3. Money market funds;
 - 113 4. Interest bearing Checking Accounts;
 - 114 5. Direct obligations of the U.S. Government, its agencies, and instrumentalities
- 115

116 **Maturity**
117

118 The maturities on investments for the Operating Fund shall be 12 months or less.
119

120 **Reporting**
121

122 The Treasurer shall prepare the following reports for presentation on at least a quarterly basis to the Board of Directors:
123

- 124 1. Schedule of investments;
 - 125 2. Interest income year to date.
- 126
127

128 **Short-Term Reserve Fund**
129

130 **Purpose**
131

132 The purpose of the Short-Term Reserve Fund is to meet the expenses occurring as a result of unanticipated activities and to improve
133 the return on the funds held for expenditure for up to five (5) years.
134

135 **Investment Objectives**
136

137 The investment objectives of the Short-Term Fund are:
138

- 139 ➤ Preservation of capital;
 - 140 ➤ Liquidity; and
 - 141 ➤ To optimize the investment return within the constraints above.
- 142

143 **Investment Guidelines**
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145 **Allowable Investments**
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147 The President and Treasurer if authorized by the Board of Directors shall invest the Short-Term Fund as follows:
148

- 149 1. Interest bearing Savings Account;
 - 150 2. Certificates of Deposit at insured commercial banking institutions;
 - 151 3. Money market funds that invest in government backed securities;
 - 152 4. Interest bearing Checking Accounts;
 - 153 5. Direct obligations of the U.S. Government, its agencies, and instrumentalities;
 - 154 6. Mutual funds that invest in direct obligations of the U.S. Government, its agencies, and instrumentalities.
- 155

156 **Maturity**
157

158 The Short-Term Fund shall have a weighted average maturity of three (3) years or less. The maximum maturity shall be five (5) years.

159 Reporting

160 The Treasurer shall prepare the following reports for presentation on at least a quarterly basis to the Board of Directors:

- 161 1. Schedule of investments which includes schedule performance since purchase or last five (5) years;
- 162 2. Interest income year to date;
- 163 3. Current yield.

164 Long-Term Reserve Fund

165 Purpose

166 The purpose of the Long-Term Reserve Fund is to provide secure long-term funding for the mission of the Texas Emergency Nurses Association. The assets of the Long-Term Reserve Fund shall be managed in such a way as to facilitate the organizations goals and objectives as outlines by the Board of Directors. Expenditure of the principal is board designated unless otherwise designated by the donor(s) in part or in whole. Also, at the discretion of the Board of Directors, up to 100% of the yearly return may be utilized for program and association expenses unless restricted for specific purposes by the donor(s).

167 Investment Objectives

168 In order to meet its needs, the investment strategy of the Long-Term Reserve Fund is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

169 Specifically, the primary objective in the investment strategy management of the Long-Term Reserve Fund shall be:

- 170 1. Long-term growth of capital – to emphasize the long-term growth of principal while avoiding excessive risk. Short-term volatility consistent with the volatility of a comparable market index is anticipated, though management should strive to contain it.
- 171 2. Preservation of purchasing power – to achieve returns in excess of the rate of inflation plus spending over the investment time horizon in order to preserve purchasing power of the association.

172 Investment Guidelines

173 General Principles

- 174 1. Investments shall be made solely in the interest of the Texas Emergency Nurses Association and the Long-Term Reserve Fund;
- 175 2. The assets shall be invested with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the investment of a like fund;
- 176 3. Investment of these funds shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so;
- 177 4. Texas Emergency Nurses Association may employ investment managers of varying styles and philosophies to attain the Fund's objectives; and
- 178 5. Cash is to be employed productively at all times by investment in short-term equivalents to provide safety, liquidity, and return.

179 Specific Investment Goals

212 Over the investment time horizon established it is the goal of the Long-Term Reserve Fund assets to realize a total return in excess of
213 the rate of inflation, as measured by the Consumer Price Index.

214
215 The goal of the investment manager shall be to meet or exceed the market index selected and agreed upon by the Finance Committee
216 that most closely corresponds to the general principles stated above.

217 **Diversification**

218
219 Investment management of the assets of the Long-Term Reserve Fund shall be in accordance with the following asset allocation
220 guidelines:

Assets Class	Minimum	Maximum
Equities	20%	60%
Fixed Income	20%	60%
Cash equivalents	0%	40%

223
224 The Finance Committee may employ investment managers whose investment disciplines require investment outside the established
225 asset allocation guidelines. However, taken as a component of the aggregate portfolio, such disciplines must fit within the overall asset
226 allocation guidelines established in this statement.

227
228 The Finance Committee will meet quarterly to monitor and re-evaluate investment allocation in reference to the Long-Term Reserve
229 Fund Asset Classes.

230 **Allowable Assets**

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232 The Long-Term Reserve Fund requires that all investment assets be invested in marketable securities, defined as securities that can
233 be traded quickly and efficiently for the Long-Term Reserve Fund, with minimal impact on market price.

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- 236 1. Equity Securities
 - 237 a. Common stocks
 - 238 b. Convertible notes and bonds
 - 239 c. Convertible preferred stocks
 - 240 d. American depository receipts of non-US companies
 - 241
242 2. Fixed Income Securities
 - 243 a. U.S. Government and Agency Securities
 - 244 b. Corporate notes and bonds (investment grade, at least BBB)
 - 245 c. Mortgage-backed bonds
 - 246 d. Preferred stock
 - 247
248 3. Cash Equivalents
 - 249 a. Treasury bills
 - 250 b. Money market funds
 - 251 c. Commercial paper
 - 252 d. Banker's acceptances
 - 253 e. Repurchase agreements
 - 254 f. Certificates of deposit

255
256 To ensure marketability and liquidity, equity investments shall be executed through nationally recognized exchanges, such as the New
257 York Stock Exchange, American Stock Exchange, and NASDAQ.

258 **Performance Reporting**

261 The Long-Term Reserve Fund shall be evaluated at least semi-annually on a total return basis. The evaluation shall be based on the
262 stated investment goals. Comparisons will show results for the year-to-date. The report shall be prepared by the Treasurer and shall be
263 presented to the Finance Committee at least semiannually. The Finance Committee shall present a report to the Board of Directors at
264 least annually.

265
266 **Prohibited Investments and Transactions**

267 The following investments and transactions are prohibited: direct investment in real estate, short sales, margin transactions, non-
268 publicly traded securities and derivatives; except that investments in mutual funds that employ such strategies on a limited basis or only
269 for hedging purposes are permitted.

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272 **Policy Review and Exceptions**

273 The Board of Directors shall review this statement on a periodic basis and will consider modifications as appropriate.

274 This policy may be amended or any exceptions to it may be authorized by resolution of the Board of Directors at any time.

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287 Adopted by the Texas ENA Board of Directors: January 13th, 2017