



Investment Policy
Adopted: December 21, 2016

INTRODUCTION

This statement of investment policy has been adopted by the SFPE Board of Directors to provide guidelines for the investment of funds held by the organization.

For the purposes of managing investment risk and to optimize investment returns within acceptable risk parameters, the funds held will be divided into three separate investment pools. The process for determining the dollar amount in each pool is set forth in the "Procedures" section of this document. The three investment pools shall be called the "**Operating Fund**", the "**Short-Term Fund**" and the "**Long-Term Fund**."

DEFINITIONS

Operating Reserve

The purpose of the Operating Reserve is to provide sufficient cash to meet the financial obligations of SFPE in a timely manner. The investment objectives are preservation of capital, liquidity, and optimization of investment return within the constraints of the previously listed objectives. The CEO and Investment Advisor retained by SFPE shall be authorized to invest SFPE Operating Reserves as follows:

1. Federally-Insured Certificates of Deposit not to exceed the then current FDIC limit including interest at commercial banks or savings and loans institutions;
2. Money market funds that invest in government backed securities;
3. Interest bearing checking accounts in federally insured banks and savings and loans not to exceed the then current FDIC limit;
4. Direct Obligations of the U.S. Government, its Agencies, and instrumentalities;
5. Agency Discount Notes;
6. Repurchase agreements with institutions whose senior debt rating is rated double A or better by Standard & Poor's and/or Moody's; and,
7. Auction Market Preferred Shares.

The maturities on investment for the Operating Fund shall be limited to one year or less.

Short-Term Reserve

The purpose of the Short-Term Reserve is to provide a source of revenue to bridge possible budget shortfalls in a given year caused by a decline in SFPE's traditional major sources of income; i.e., a decline in grants or publication revenue. The Short-Term Reserves objectives are preservation of capital, liquidity, and optimization of investment return. The Short-Term Reserve should be invested to minimize asset value fluctuations. The account may consist of a portfolio of cash equivalents, laddered bonds, and investment grade bond mutual funds. The Short-Term Reserve shall invest in securities appropriate for a one to three-year investment horizon. Not more than 10% at cost of the Short-Term Reserve may be in the securities of any one issuer except for

obligations of the U.S. Government, its agencies, and instrumentalities, repurchase agreements collateralized by obligations of the U.S. Government, its agencies and instrumentalities, and federally insured certificates of deposits with no more than the then current FDIC limit in one institution and mutual funds. Transfers from the Short-Term Reserves to the Operating Reserves must be recommended by the Finance Committee and approved by the Executive Committee or Board of Regents.

Long-Term Reserve (Deep Reserve)

The purpose of SFPE's Long-Term Reserve is to provide financial stability, the preservation of purchasing power over a five-year period and to ensure the real growth of capital to meet the future needs of SFPE. In the normal course of events, it is expected the monies allocated to the Long-Term Reserve will not be used in a given five-year period. The long-term goal of this reserve is to accumulate funds equal to one year's operating budget but in no event should this goal be less than One Million Dollars. Utilization of the long-term reserves can only be recommended by the Finance Committee and approved by the Executive Committee or the Board of Directors. The objectives of the account should be pursued as a long-term goal designed to maximize the returns without exposure to undue risk. It is understood fluctuating rates of return are characteristic of the securities markets. The major objective should be long-term appreciation of the assets and consistency of total portfolio returns. The part of the portfolio invested in stocks should be representative of the overall stock market. The objective of the funds invested in any asset class is to replicate the appropriate index (net of expenses).

FIDUCIARY RESPONSIBILITY

The Board of Directors has the responsibility of administering invested funds in accordance with each fund's purpose or restrictions. The Finance Committee has the authority to expand or redefine the stated goals and objectives to reflect changing funding requirements, capabilities, or purposes. Any changes enacted will be documented in an amendment to this statement of investment policy and objectives.

The Finance Committee is authorized to delegate certain responsibilities to professional experts in various fields. These fields include, but are not limited to:

1. Investment Consultant. The consultant may assist the Board in:
 - a.) Establishing investment policy, objectives, and guidelines;
 - b.) Selecting investment managers;
 - c.) The periodic review of investment managers;
 - d.) Measuring and evaluating investment performance;
 - e.) And other tasks as deemed appropriate;

2. Investment Manager. The investment manager has discretion within policy guidelines to purchase, sell, or hold the specific securities that will be used to meet the Fund's investment objectives;

3. Custodian. The custodian will physically (or through agreement with sub-custodian) maintain possession of securities owned by the association, 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 within the Fund accounts.

PROCEDURES

1. The following procedures will be followed to ensure the investment policy statement is consistent with the current mission of the association and accurately reflects the current financial condition:
 - a.) This investment policy shall be reviewed annually by the President, Secretary-Treasurer, and CEO for any necessary revisions.
 - b.) Recommendations for any revisions or modifications will be made by the Finance Committee to the Board of Directors for approval.
2. The Finance Committee and the CEO, will determine the dollar amounts to be placed in the Short-Term and Long-Term Funds. Dollars not specifically designated for the Short-Term or Long-Term Funds will be restricted to those investments permitted under the Operating Fund's Investment Guidelines.
3. The services of an Investment Consultant will be sought to manage portions of SFPE funds. The following procedures shall be followed to engage a new or replace a current Investment Consultant:
 - a.) The President, Secretary- Treasurer and CEO will recommend the hiring or replacing of an investment consultant to the Finance Committee.
 - b.) The President, Secretary- Treasurer and CEO will review the candidate(s) and make a recommendation to the Finance Committee, who shall have final approval.
4. The services of an Investment Manager will be sought to make the purchase and sell decisions on behalf of the organization. The following procedures shall be followed to engage a new or replace a current Investment Manager:
 - a.) An Investment Consultant may be used to recommend the hiring or replacing of an Investment Manager to the Finance Committee.
 - b.) The Finance Committee will review the candidate(s) and make a recommendation to the Board of Directors for final approval.

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Board of Directors

The Board of Directors is charged by law with the responsibility of managing organization assets in accordance with each funds purpose and restrictions. The Board of Directors shall discharge its duties solely in the interest of the organization, with the care, skill, prudence, and due diligence under the circumstances then prevailing, that the prudent person, acting in a like capacity and familiar with such matters would use in the

conduct of an enterprise of like character with like aims. The specific responsibilities of the Board of Directors relating to the investment management of assets include:

1. Projecting the financial needs and communicating such needs to the Investment Manager (s) on a timely basis;
2. Determining the risk tolerance and investment time horizon and communicating these to the appropriate parties;
3. Establishing reasonable and consistent investment objectives, policies and guidelines that will direct the investment of the assets;
4. Prudently and diligently selecting qualified investment professionals, including Investment Manager(s), Investment Consultant (s), and Custodian (s);
5. Quarterly evaluation of the performance of the Investment Manager (s) to assure adherence to policy guidelines and monitor investment objective progress;
6. Developing and enacting proper controls procedures: For example, replacing Investment Manager (s) due to fundamental change in investment management process, or failure to comply with established guidelines.

Responsibility of the Investment Consultant(s)

The Investment Consultant's role is that of a non-discretionary advisor to the Finance Committee and Board of Directors. Investment advice concerning the investment management of the assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines, and constraints as established in this statement. Specific responsibilities of the Investment Consultant (s) include:

1. Assisting in the development and periodic review of investment policy;
2. Conducting investment manager searches when requested by the Board;
3. Providing "due diligence", or research, on the Investment Manager (s);
4. Providing recommendations on investment managers to hire;
5. Monitoring the performance of the Investment Manager (s) to provide the Finance Committee with the ability to determine the progress toward the investment objectives;
6. Communicating matters of policy, manager research, and manager performance to the Finance Committee and, if asked, further to the Board;
7. Reviewing investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Board.

Responsibility of the Investment Manager(s)

The Investment Manager will have full discretion to make all investment decisions for the assets placed under its authority, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Managers (s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within guidelines established in this investment statement;
2. The timely reporting of quarterly investment performance;
3. Communicating any major changes to economic outlook, investment strategy, or any other factors that affect implementation of investment process;
4. Informing the Consultant of any qualitative change to investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.;
5. Voting proxies, if requested by the Board, on behalf of the organization, and communicating such voting records to the Board on a timely basis.

SFPE OPERATING RESERVE

Purpose

The purpose of the Operating Reserve is to provide sufficient cash to meet the financial obligations of SFPE in a timely manner.

Investment Objectives

The investment objectives of the Operating Reserve are:

1. Preservation of capital; and
2. Liquidity.

Investment Guidelines

Allowable Investments

The Secretary-Treasurer shall be authorized to invest the Operating Reserve as follows:

1. Interest bearing checking accounts in federally insured banks and savings and loans not to exceed federally insured amounts;
2. Money market funds that invest in government-backed securities;
3. Federally-insured certificates of deposit not to exceed \$250,000 per institution;

4. Direct obligations of the U.S. Government, its agencies, and instrumentalities.
5. Repurchase agreements in conjunction with bank sweep accounts collateralized by U.S. Government obligations.

Maturity

The maturities on investments for the Operating Reserve shall be limited to one year or less.

Reporting

The CEO shall prepare the following reports for presentation on a quarterly basis to the Board of Directors:

1. Schedule of investments,
2. Interest income year to date,
3. Current yield.

SFPE SHORT-TERM RESERVE

Purpose

The purpose of the Short-Term Reserve is to meet the expenses occurring as the result of unanticipated activities and to improve the return on funds held for expenditure over the next one to three years.

Investment Objectives

The investment objectives of the Short-Term Reserve are:

1. Preservation of capital;
2. Liquidity; and
3. To optimize the investment return within the constraints of the policy.

Investment Guidelines

Allowable Investments

The Secretary-Treasurer shall be authorized to invest the SFPE Short-Term Reserve as follows:

1. Money market funds that invest in government-backed securities;
2. U.S. Federally-insured certificates of deposit not to exceed \$250,000 per institution;
3. Direct obligations of the U.S. Government, its agencies, and instrumentalities;
4. Commercial paper rated A-1/P-1 by Standard & Poor's and Moody's;
5. Corporate notes with a minimum rating of investment grade by one rating service;
6. Mutual funds that invest per the Short-Term Reserve guidelines.

Maturity

The Short-Term Reserve shall have a weighted average maturity of less than three years.

Reporting

The CEO shall prepare the following reports for presentation on a quarterly basis to the President and Finance Committee:

1. Schedule of investments,
2. Interest income year to date,
3. Current yield.

SFPE LONG-TERM RESERVE (DEEP RESERVES)

Purpose

The purpose of the Long-Term Reserve is to enhance the purchasing power of funds held for future expenditure, to maintain the financial stability of SFPE, and to provide cash as required.

Investment Objectives for the Investment Account

The objectives of the portfolio represent a long-term goal of maximizing the returns without exposure to undue risk, as defined herein. It is understood that fluctuating rates of return are characteristic of the securities markets. The primary concern should be long-term appreciation of the assets and consistency of total return on the portfolio. Recognizing that short-term market fluctuations may cause variations in the account performance, the portfolio is expected to achieve the following objectives over a five-year moving period:

1. The account's total expected return will exceed the increase in the Consumer Price Index by 4% annually. On a quarter to quarter basis, the actual returns will fluctuate and can be expected to exceed the target about half the time.
2. The account's total expected return will exceed the increase in the Treasury Bill Index by a minimum of 4% annually. On a quarter to quarter basis, the actual returns will fluctuate and can be expected to exceed the target about half the time.

Understanding that a long-term positive correlation exists between performance volatility (risk) and expected returns in the securities markets, we have established the following short-term objective:

The portfolio should be invested to minimize the probability of low negative total returns, defined as a one-year return worse than negative 12%. It is anticipated that a loss greater than this will occur no more than one out of twenty years.

Investment Guidelines

The investment policies and restrictions presented in this statement serve as a framework to achieve the investment objectives at a level of risk deemed acceptable. These policies and restrictions are designed to minimize interfering with efforts to attain overall objectives, and to minimize excluding any appropriate investment opportunities.

Investment Restrictions

The Board has adopted the following restrictions to apply to the portfolio in its entirety. An investment manager may not:

1. Purchase any private placements that may not be publicly sold without registration under the U.S. Securities Act of 1933;
2. Purchase any municipal or other tax-exempt securities;
3. Individual options contracts. However, to the extent that the organization uses mutual funds the mutual funds may buy or sell option contracts for the purposes of managing portfolio risk;
4. Permit the mortgage, pledge, or hypothecation of any assets of the portfolio;
5. Make direct investments in commodities or commodity contracts;
6. Short Sales;
7. Margin transactions or the use of leverage;
8. Hold more than 20% of its portfolio in any one industry;
9. Hold more than 5% of its portfolio in the securities of any one company at cost, as determined at the time of purchase, or 10% of market value: (this limitation does not apply to obligations issued or guaranteed by the United States Government);
10. Loan money or securities to any individual or corporation from the assets of the portfolio other than through the purchase of marketable fixed income securities; and
11. Make any investments that may be precluded by any special instructions issued in writing from time to time by the Directors.

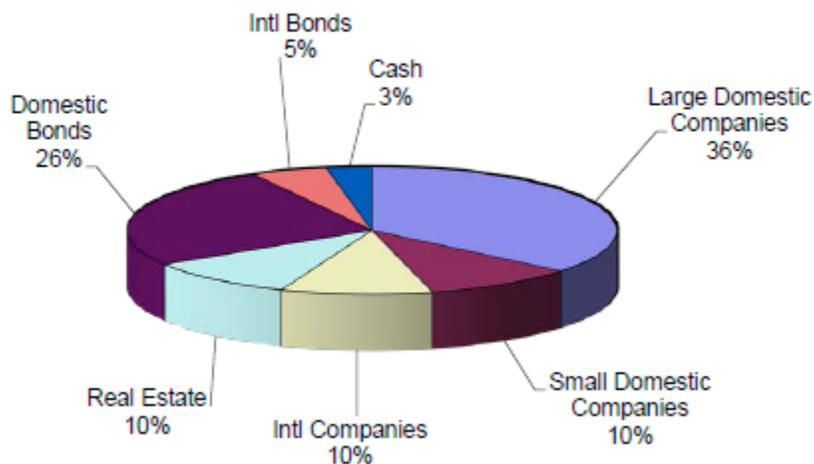
Target Asset Mix

The Long-Term Reserve shall be comprised of the asset classes listed in the table below. The target weight is the desired weight for each asset class. The minimum weights and maximum weights are to allow for normal market fluctuations.

ASSET CLASS	MINIMUM WEIGHT	TARGET WEIGHT	MAXIMUM WEIGHT
EQUITY			
U.S. Large Capitalization Stocks	31%	36%	41%
International Stocks	5%	10%	15%

Small & Mid. Capitalization Stocks	5%	10%	15%
TOTAL EQUITY		56%	
FIXED INCOME			
U.S. Government/Corporate Intermediate Bonds	21%	26%	31%
International Bonds	0%	5%	10%
Real Estate	5%	10%	15%
TOTAL FIXED INCOME		41%	

- Cash 3%



Equities

The equity asset classes should be maintained at risk levels roughly equivalent to the sectors of the market represented, with the objective of exceeding a nationally recognized index measuring the performance of the designated sector over a five-year moving time period net of fees and commissions.

The following definitions shall apply for the purposes of this policy:

U.S. Large Capitalization Stocks: A portfolio of stocks comprised primarily of U.S. based companies with the average of the stocks held having a market value exceeding \$10 billion and primary shares of which are traded on a major U.S. exchange.

International Stocks: Stocks comprised primarily of non-U.S. based companies, the primary shares of which are traded on exchanges outside the U.S.

Fixed Income

Investments in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. The following definitions shall apply for the purposes of this policy:

U.S. Government/Corporate Intermediate Bonds: A portfolio comprised primarily of fixed income securities denominated in U.S. dollars issued by the U.S. Government or U.S. corporations rated investment grade or better and having a weighted average maturity of approximately 3-5 years.

Reporting

The investment consultant will prepare the following reports on a quarterly basis:

1. Performance evaluation of total portfolio:
 - a.) Performance vs. Appropriate index
 - b.) Performance vs. Similar portfolios

The report will provide the above information for the following time periods, as the passage of time allows:

1. For the quarter
2. Year to date
3. Trailing 12 months, 3 years, and 5 years