



Statement of Investment Procedure and Objectives

Introduction

It is the intent of this statement to establish a philosophy, which will guide the School Board toward the achievement of the desired investment objectives. It is a set of guidelines that specify the action to be taken to achieve the investment objectives within the constraints imposed. It is intended to give sufficient flexibility to adapt to changes in the investment environment.

Purpose

The fundamental purpose of this Trust is to fund Postemployment Benefits (other than pension benefits) accrued by Employees and Officers of the School District, to be paid as they come due in accordance with the arrangements between the School District, the Participants and their Beneficiaries, as specified in the School District's Plan.

Objectives

The primary investment objectives of the Trust are as follows:

- 1) To provide income and principal to fund the Trust causes; and
- 2) To meet the liquidity needs of the Trust.
- 3) To have funds available from this trust for greater than 10 years

The primary emphasis is to provide income with secondary consideration given to capital appreciation. The portfolio will invest primarily in securities producing income but also will contain securities with the potential for both the growth of income and capital over the long term. Even though emphasis will be given to income, market value volatility will occur.

Guidelines

1. **Allocations of Asset Classes.** The School Board shall direct the allocation of the funds among fixed income for safety and income, equities for capital appreciation and cash reserves for liquidity, as recommended by Executive Director of Business Services, Trust Administrator, and Finance & Operations Advisory Committee.
2. **Equity Investments.** The equity allocation should range not to exceed 40% of the total funds with a target of 30%. Equity mutual funds are permitted. The equity investment should be diversified between industry sectors, market capitalization, and global markets.
3. **Fixed Investments.** The fixed income allocation should not be less than 60% of the fund with a target of 70%.

The Trustees shall first invest an amount up to the present value of two years implicit subsidized net benefit payments as determined by the most recent Post Employment Benefit Valuation Report.

Additional fixed income funds should be managed to take advantage of changes in the bond market. All must have at least an A rating by a fixed income securities recognized rating organization, and be readily marketable. Permitted fixed income vehicles are:

- a. Government and Agency Bonds
- b. Mortgaged Backed Bonds

- c. Corporate Bonds
- d. International Bond Funds
- e. Certificates of Deposit
- f. Fixed Income Mutual Funds
- g. Guaranteed Investment Contracts

4. Alternative Investments. No Alternative Investments permitted.
5. Cash and Cash Equivalents. Cash and cash equivalents should be maintained in investments that are free from risk of loss or price fluctuation and must be instantly marketable.
6. Preservation of Principal. The Trustees must make reasonable effort to preserve the principal of the funds, but preservation of principal shall not be imposed on each individual investment. It is understood that the dual goals of capital appreciation and income may cause volatility in the total value of the funds. It is also understood that the principal may be spent down for the purpose of the trust.
7. Constraints. Trust investments are limited to investments authorized under Minnesota Statutes, or as further prescribed by the GASB 45 Investment Policy.

Periodic Reviews

At regular intervals, but at least annually, the School Board must:

- 1) Review this Statement of Investment Procedure and Guidelines to make sure it still reflects the goals and constraints of the District.
- 2) Review the asset allocation ranges defined in the guidelines to determine if they are still appropriate for the objectives.
- 3) Monitor the performance of the portfolio with reference to the overall investment objective. Performance should also be evaluated by referring to the market benchmarks of asset classes and their proportional weighting in the portfolio.

Approval and Ratification

Approval by the School Board of the Independent School District No. 719, Prior Lake, Minnesota

OPEB Trust on the _____ day of _____, 202____.