

**COUNCIL FOR EXCEPTIONAL CHILDREN
BOARD OF DIRECTORS**

Online Votes Minutes

March 2021

Investment Policy Revision Motion

MOTION: Jennifer Lesh moved the motion to adopt the draft Investment Policy (attached) recommended by the Finance and Audit Standing Committee.

Motion passed.

Stock Market Re-entry Motion

MOTION: Jennifer Lesh moved the motion to return CEC's investments to the stock market using the following timeline:

- March 2021 - 20% U.S. Equities - 80% Fixed Income
- April 2021 - 30% U.S. Equities - 70% Fixed Income
- May 2021 - 40% U.S. Equities - 60% Fixed Income
- June 2021 - 50% U.S. Equities - 10% International Equities - 40% Fixed Income

Motion passed.

**CEC Board of Directors
Online Voting Record
February 2021**

Motion		
Member	Revised Investment Policy	Stock Market Re-entry
Cavitt	Y	Y
Kovach	Y	Y
Lesh	Y	Y
Bui	Y	Y
Aceves	Y	Y
Banks, J.	Y	Y
Banks, T.	Y	Y
Hall	Y	Y
Hunter	Y	Y
Jackson	Y	Y
Perras	Y	Y
Rush	Y	Y
Thompson	Y	Y
Tillotson	Y	Y
Yell	Y	Y
YES (Y)	15	15
NO (N)	0	0
ABSTAIN (A)	0	0
ABSENT (0)	0	0
OUTCOME	P	P

COUNCIL FOR EXCEPTIONAL CHILDREN
Investment Policy

The Council for Exceptional Children investment policy was updated in March 2021 to reflect a more direct and diversified target asset mix, utilizing U.S & International Equity Markets and U.S. Bond Market Exchange Traded Funds (ETFs). The ETFs included in this policy are very liquid, trading millions of shares each day, allowing rapid entry and exit of investment positions at negligible cost. Further, there are no minimum balances required as is with individual portfolio managers. Positions in ETFs can be rebalanced quickly and easily on the date requested, whereas portfolio managers may take a week or more to liquidate or reinvest funds. ETFs contain a wide portfolio of stocks and bonds and correlate to the performance of the markets that they represent. Dividends and interest generated by the stocks and bonds held by the ETFs are passed through to owners of the ETF shares.

Para. 5 – Investment Policy

a. General

The Investment Policy has been adopted by the Board of Directors (Board) of the Council for Exceptional Children (CEC) to provide guidelines for the investment of funds held by the CEC. The following definitions identify the types of funds held by CEC:

Operating Funds: Funds expected to be spent in the normal course of business. Short-falls in the operating fund will be met through an investment portfolio loan and/or liquidations of long-term investments.

Long-Term Investments: The purpose of long-term investments is to provide the potential for long-term growth of capital to meet the future needs of CEC.

b. Procedures

To ensure the investment policy is consistent with the current mission and financial condition of CEC, the Finance and Audit Standing Committee (FASC) will conduct an annual review of the policy.

The Chief Financial Officer (CFO), in consultation with the Executive Director, will inform the FASC and Board of any transfers from long-term investments to the operating fund or vice versa. The CFO will report the performance of CEC's investments to the FASC and Board on a monthly basis.

The services of an investment advisor will be used to manage CEC's long-term investment funds. The following procedure shall be followed to engage or replace an investment advisor:

- (1) The CFO and the Executive Director will recommend the hiring or replacing of an investment advisor to the FASC.
- (2) The FASC shall have the final approval of hiring or replacing an investment advisor.

c. Operating Fund

(1) Purpose

The purpose of the operating fund is to provide sufficient cash to meet the financial obligations of CEC's day-to-day operations in the near-term.

(2) Investment Guidelines

Operating funds will be held in an interest-bearing checking account. In the event that CEC has excess operating funds based on current financial projections, the CFO will transfer the excess funds into long-term investments.

d. Long-Term Investments

(1) Purpose

The purpose of long-term investments is to provide the potential for long-term growth of capital to meet the future needs of CEC. The investment time horizon for the long-term investments is infinite or until required to meet short-falls in operating funds or for board-approved programs or projects not able to be met by operating funds.

(2) Investment Objectives

- Maintain the financial stability of CEC.
- Provide the potential for long-term growth of capital without undue risk.

(3) Investment Guidelines

CEC will hold three diversified classifications of long-term investments:

- U.S. equities diversified across large cap-, mid cap-, and small cap-stocks.
- U.S. fixed income including investment grade corporate bonds and U.S. government financial instruments (T-Bonds, T-Bills, etc.) diversified across a variety of maturity dates.
- International equities diversified across developed and emerging markets.

Interest and dividends generated from long-term investments will be automatically reinvested to increase capital growth.

(4) Long-Term Investment Vehicles & Asset Mix

The individual ETFs that will be utilized in the investment plan are inherently diversified given the large number of stocks and bonds held by the ETF. The specific ETFs utilized will be highly liquid and stable, trading on average at least 500,000 shares per day and holding net assets of at least \$50 billion.

- Total U.S. Stock Market – Holds large-, mid, and small-cap equity diversified across growth and value styles representing the total U.S. stock market.
- Total International Stock Market - Holds non-U.S. equity diversified across developed and emerging international markets.
- Total Intermediate-Term U.S. Fixed Income – Holds diversified investment-grade U.S. dollar-denominated fixed income; offers investment income with share value tending to rise and fall modestly.

ETF Asset	Target Allocation	Rebalance
Total U.S. Stock Market	50%	+/- 5%
Total International Stock Market	10%	+/- 5%
Total U.S. Intermediate-Term Fixed Income	40%	+/- 5%