**AEA Investment Policy**

**OPERATING/RESERVE FUND**

1. **Definition:**

The Operating/Reserve Fund provides high liquidity to meet the current (0-3 year) financial obligations arising from operations.

1. **Objectives of Operating Fund:**
	* 1. Preservation of Capital
		2. Income and Growth
2. **Target Asset Allocation:**

The Operating Fund will be made up of no less than 80% “low-risk assets” and up to 20% socially responsible assets (SRI). Low risk assets include but are not limited to the following: US high grade corporate bonds (BBB rating or higher), GNMA bonds, US government bonds, as well as FDIC insured investments (cash, CDs, etc.).

Socially responsible investments are to include investments into companies/funds that avoid investments in companies that make more than 5% of its total revenue from tobacco, gambling, alcohol, abortion, weaponry, and nuclear power. SRI investments deal with companies that promote environmental sustainability and alternative/clean technology efforts to generate long-term competitive financial returns and positive societal impact. The portion of the investments that is invested in equities must fit the FAB’s definition of “socially responsible investing”.

1. **Roles & Responsibilities:**

The ED shall not allow to be spent for annual budget combined net revenue less expenditures more than 20% of the general reserve within a given fiscal year as identified at the beginning of the fiscal year nor allow the general reserve to fall below 20% of the operating reserve at any time without notifying the Board and identifying whether the Board wishes (a) to allow for fee increases in subsequent years, or (b) to change Goals Policies in subsequent years.

**OPERATING RESERVE**

1. **Definition:**

The operating reserve is an unrestricted fund balance set aside to stabilize our finances by providing a cushion against emergencies or large, unexpected fluctuations in income. AEA sets aside a minimum of 100% of the current year budget as its operating reserve. The Operating Reserve is identified at the beginning of each fiscal year and is defined as the highest of either the current year’s estimated current year budget or either the immediate past two year’s actual expenses.

1. **Objective of Special Operating Reserve:**

The Operating Reserve should provide 100% self-insurance required for next year’s budget

1. **Target Asset Allocation:**

The Operating Reserve will be made up of 100% fixed income and will be maintained in a separate Merrill Lynch account from the General Reserve. Allocation in the fixed income space are to include but not limited to the following short duration investments: corporate bonds, senior floating rate funds, CDs, GNMA bonds, and US government bonds.

1. **Roles & Responsibilities:**

The Board sets the policy that establishes parameters on accessing the funds within the Operating Reserve. The Finance Advisors to the Board are to be an independent advisory group per the definitions of the policy manual. Candidates for positions with signatory privileges must pass credit checks prior to nomination by the Board.

1. **Amendment of Investment Policy**

The FAB will review the balance in the AEA Operating Reserve no less than once each year and make a recommendation to the AEA Board of Directors if adjustments to the balance need to be made.

**General reserve**

1. **Definition:**

The General Reserve is an unrestricted fund balance representing those funds available for programs and services. The General Reserve is identified at the beginning of each fiscal year and is defined as subtracting the Operating Reserve from the Net Assets of the Association at the close of the fiscal year.

1. **Purpose and Objective of Investment Fund:**

The Objective of the General Reserve is to provide growth and income thru both fixed income and equities.

1. **Roles & Responsibilities:**

The Board establishes policy that sets parameters on accessing the funds within the General Reserve.

1. **Portfolio Rebalancing:**

Allocation is to be reviewed on an annual basis. Target allocation is to not exceed 80% fixed income, and 20% equities. If equity allocation exceeds 20%, the portfolio will be rebalanced to target allocation of 80/20.

Approval/Amendments:

Board of Directors, June 2016, approved