

	LEVEL 1 FOUNDATION POLICY: PMIEF Board authors, approves and monitors	No.:
		Date Approved:
		Rev No.: 1
		Rev Date: 8 July 2008
POLICY TITLE:	PMIEF Investment Policy	Page: 1 of 14
RESPONSIBILITY OF:	PMIEF Treasurer	
PREPARED BY: PMIEF Board; PMIEF/PMI Staff		APPROVED BY: PMIEF Board of Directors

I. POLICY STATEMENT:

In order to comply with Rules of the PMIEF Board 10.4.1.2 Investment Policy, this policy provides the direction to the COO on the guidelines and parameters by which PMIEF will protect its assets. Rule of the PMIEF Board 10.4.1.2 states “Investments shall be managed in accordance with the Investment Policy approved by the PMIEF Board of Directors.”

Background: Because the PMIEF Board of Directors and COO have been entrusted by donors with the financial management of their donations for use for the purposes designated by the donors and because some of those donations are intended to be invested for applications by PMIEF without utilizing the principal, it was imperative that PMIEF have an investment policy to guide the management of its assets.

II. PURPOSE: As stated in the detailed policy document included below, the purpose of the investment policy is to

- a. Provide a clear statement of the investment policies and objectives for PMIEF
- b. Define clearly the responsibilities of the PMIEF Board, the PMIEF COO, staff and advisors.
- c. Provide an adequate basis for evaluating the investment performance of PMIEF.

III. DESIRED RESULTS/OBJECTIVES: They are described in the policy document below.

IV. DEFINITIONS: Please refer to the policy document below for this information.

V. POLICY DISSEMINATION:

Internal: PMIEF Board, PMIEF COO, PMIEF and PMI Executive Staff as needed, PMIEF and PMI finance and accounting staff as needed, PMIEF independent financial auditor as needed, investment advisors

External: None, unless requested by a donor.

V. SUPPORTING DOCUMENTATION: The following investment policy document:

PMI EDUCATIONAL FOUNDATION

INVESTMENT POLICY

The PMI Educational Foundation (PMIEF or the Foundation) is a 501(c)(3) nonprofit corporation whose purpose is to promote economic, educational, cultural, and social advancement through the application, development, and promotion of project management concepts, theories, and life skills. In order to fulfill its purpose, PMIEF requires sound financial management, including prudent investment and oversight of its operating and reserve funds.

This Investment Policy (Policy) has been adopted by the PMIEF Board of Directors (the Board) to provide guidelines for the investment of funds held by the Foundation.

The investment guidelines and restrictions presented in this Policy serve as a framework to achieve the investment objectives at a level of risk that the Board of Directors deems acceptable.

PURPOSE

This policy is adopted in order that:

- 1) There is clear statement of the investment policies and objectives of PMIEF.
- 2) Clear responsibilities are defined.
- 3) PMIEF has an appropriate basis for evaluation of the investment performance for invested funds on a regular and ongoing basis.

PROCEDURES

Roles and Responsibilities

All funds held by the Foundation shall be invested in a manner that complies with all applicable Federal and District of Columbia requirements applicable to the Foundation as currently constituted, specifically including, but not limited to, any laws or regulations pertaining to the maintenance of the Foundation's federal tax exemption under Section 501(c)(3) of the Internal Revenue Code.

Management of PMIEF funds will be vested in the Board, Finance Committee and Staff as specified in the following levels of responsibility:

A. Unless the Board delegates its authority, the **Board** will:

- 1) Establish and approve all Foundation policies for investments.
- 2) Review the investment objectives, investment performance and asset allocation at least annually and initiate corrective actions if goals are not being achieved.

- 3) Have responsibility to recommend termination of investment consultant if they are dissatisfied with performance.

B. The Finance Committee will facilitate:

- 1) The monitoring of Policy implementation to ensure that investment decisions fulfill the objectives of this Policy.
- 2) The consideration of any proposed revisions to this Policy and recommend any appropriate action to the Board as necessary and appropriate.
- 3) The reviewing of quarterly reports from Staff in order to monitor fund and investment manager performance and annually assess investment rationale, target and actual asset allocations.
- 4) The consideration, at least annually, of investment-related issues deemed necessary and appropriate to PMIEF's mission.
- 5) The assurance of consistency of above actions with Foundation's mission.

C. Staff

The COO or his/her designated staff is authorized to implement the policies as approved by the Board. Staff is authorized to utilize the services of an investment consultant and investment managers to carry out this Policy, as approved by the Board.

The **Staff** will:

- 1) Engage an investment consultant and evaluate the consultant's performance.
- 2) Review on an annual basis the target asset allocation and target investment return objectives of the funds.
- 3) Approve the use of investment managers, mutual funds and other investment vehicles authorized by this Policy. The investment manager is responsible for making the investment decisions (security selection and price decisions). The performance of the investment manager will be reviewed quarterly as noted above in B (3).
- 4) Review the performance of the investments, including investment fees and expenses, and make changes, if and when necessary.
- 5) Review investment decisions to ensure that they comply with the guidelines of this Policy.
- 6) Review statements for PMIEF's funds on a monthly basis.

- 7) Provide to the Finance Committee an investment status report at least quarterly. Staff's report will include the quarterly report(s) provided by the investment consultant and/or any supplemental information Staff deems appropriate.
- 8) Review this Policy at least annually and present any recommended changes to the Finance Committee.

D. Investment Consultant

It is anticipated that PMIEF will retain the services of an investment consultant. The investment consultant is an objective, third-party advisor to assist the Foundation in managing the overall investment process. The advisor will be responsible for supporting Staff through a disciplined investment process to enable the Foundation to meet the desired objectives as set forth in this policy.

The consultant may be called upon to provide any or all of the following services:

- 1) Recommend to Staff an asset allocation mix for the Funds.
- 2) Recommend to Staff specific investment managers or investment vehicles.
- 3) Ensure that Staff receives monthly statements.
- 4) Prepare and distribute quarterly reports to the Staff analyzing investment performance of the Fund.
- 5) Review this Policy at least annually and present to the Staff any recommended changes for presentation to the Finance Committee for their further action.
- 6) Be available to confer with the Staff, Finance Committee and/or the Board as necessary.
- 7) Be available to meet with the Board (or its designee) on an annual basis to review the financial markets, portfolio structure, investment performance, this Policy, investment strategies, and other subjects that may be of interest and benefit to PMIEF's portfolios.

E. Investment Managers

It is anticipated that PMIEF will seek the services of investment managers to manage all or a portion of the Fund. The investment manager is responsible for timely investment of both principal and income, settlements of transactions, and providing liquidity as directed by Staff. The investment manager shall exercise full investment discretion with regards to buying, managing, and selling assets held in the Portfolios. Such managers shall be SEC registered investment advisors and/or mutual fund managers (both herein referred to as "Investment Managers"). Any investment manager hired and given discretionary authority over assets in any part of the Foundation's portfolio will be subject to the guidelines in this Policy.

OPERATING FUND

Purpose

The purpose of the Operating Fund is to provide supplemental cash to meet the needs of PMIEF's general operations within the approved budget.

Investment Objectives

The investment objectives of the Operating Fund are:

- 1) Liquidity
- 2) Preservation of capital
- 3) Maximization of income consistent with the above

Investment Goals

- 1) The Operating Fund's total return, net of investment expenses, should meet or exceed the U.S. 90-day Treasury Bill Index.

INVESTMENT GUIDELINES

Maturity

The average maturity of all investments in the Operating Fund shall be limited to a maximum of 12 months.

Credit Quality

The average credit quality of the portfolio shall be "A" or higher.

Reporting

Staff will maintain monthly reports to include a schedule of investments, interest income for the period and year-to-date, and current yield. These reports will be provided to the Finance Committee upon request. Staff will also prepare quarterly reports for the Finance Committee's review of fund performance.

Income from Operating Fund

Income from the Operating Fund shall remain in the Operating Fund and be available to support PMIEF operations during the course of the year.

PERMISSIBLE INVESTMENTS

Staff shall be authorized to invest the Operating Fund as follows:

- 1) Federally insured Certificates of Deposit not to exceed federally insured amounts unless the bank is rated at least "A" by Fitch Ratings
- 2) Money market funds
- 3) Checking accounts in federally insured banks and savings & loans not to exceed federally insured amounts unless the bank is rated at least "A" by Fitch Ratings
- 4) U.S. government and agency issues
- 5) Commercial paper rated A2/P2 or higher
- 6) Repurchase agreements (in conjunction with bank sweep accounts collateralized by U.S. government obligations)

GENERAL FUND

Purpose

The PMIEF General Fund is an unrestricted fund with the purpose for providing a source of funding for board-approved programs and the general operations of the Foundation.

Investment Objectives

The investment objectives of the Foundation are:

- 1) Long-term growth of capital
- 2) Preservation of purchasing power
- 3) Preservation of capital

The objectives of the Fund should be pursued as a long-term goal designed to maximize the returns without exposure to undue risk.

Recognizing that intermediate market fluctuations may cause variations in the Fund's performance, the expectations are to achieve the following objectives over a 3-5 year time period. (For purposes of measuring performance, total return is defined as all dividends and interest and both realized and unrealized gains and losses reduced by investment expenses and fees.)

Investment Goals

- 1) The annual Target Investment Return for the Fund will be determined by the Spending Policy as established by the Finance Committee. A spending "rule" will be established to provide for the ongoing spending needs of the Foundation while preserving the corpus of the fund.
- 2) The returns of each investment manager/vehicle will be evaluated against an appropriate individual benchmark and peer group.

INVESTMENT GUIDELINES

Risk Tolerance

The General Fund should be invested to minimize the likelihood of low negative total returns, defined as a one-year return worse than -12%.

Diversification

No more than 5% (at market) of the General Fund may be invested in the securities of any one issuer; no more than 20% (at market) of the General Fund may be invested in any one industry.

Exceptions to this requirement: securities issued by the U.S. Government, its agencies and instrumentalities; federally insured certificates of deposit; mutual funds or exchange traded funds.

Maturity

The average weighted maturity of the fixed income portion of the General Fund will be 12 years or less. The maximum maturity of any individual fixed income security will be 30 years or less.

Credit Quality

The average credit quality of the fixed income portion of the portfolio shall be “A” or higher.

Asset Allocation

The General Fund shall be invested in equities, fixed income securities, and cash and cash equivalents. The proportion of the General Fund invested in each asset class should not be less or more than the following percentages:

Asset Class	Minimum	Target	Maximum
Cash & Equivalents	0	5%	15%
Fixed Income	20%	30%	40%
Equities	50%	60%	70%

Target Allocation

The investment consultant will present to Staff a recommended target asset allocation for the General Fund. This target will be reviewed regularly, at least annually.

Rebalancing

In the event that the asset allocation of the General Fund is +/- 10% from the Target Allocation in any asset class, the investments will be rebalanced to bring the allocation back inline with the target allocation. The portfolio’s asset allocation will be monitored on a quarterly basis.

Reporting

The investment consultant will prepare a quarterly report to be distributed to the Finance Committee containing a schedule of investments, the current asset allocation and investment performance compared to the objectives of this Policy and to appropriate benchmarks and indices.

PERMISSIBLE INVESTMENTS

Cash & Equivalents

- 1) Federally insured Certificates of Deposit not to exceed federally insured amounts unless the bank is rated at least “A” by Fitch Ratings
- 2) Money market funds
- 3) Checking accounts in federally insured banks and savings & loans not to exceed federally insured amounts unless the bank is rated at least “A” by Fitch Ratings
- 4) U.S. government and agency issues
- 5) Commercial paper rated A2/P2 or higher
- 6) Repurchase agreements (in conjunction with bank sweep accounts collateralized by U.S. government obligations)

Fixed Income

- 1) Senior, adjustable-rate U.S. bank notes.
- 2) Foreign government or foreign corporate bonds (up to 20% of the market value of the fund).
- 3) High yield U.S. corporate bonds (up to 10% of the market value of the fund).
- 4) Convertible U.S. corporate bonds (up to 10% of the market value of the fund).
- 5) Mutual funds or exchange traded funds investing in the above.

Equities

- 1) Common stocks of U.S. corporations.
- 2) Common stocks of non-U.S. corporations (up to 25% of the market value of fund)
- 3) Preferred Stocks of U.S. corporations (up to 20% of the market value of the fund)
- 4) Stocks of real estate investment trusts (REIT's).
- 5) Mutual funds or exchange traded funds investing in the above.

ENDOWMENT FUND

Purpose

The PMIEF Endowment Fund is a restricted fund, with the purpose of providing a source of funding for specific program activities of the Foundation, including scholarships, awards and other board-approved programs.

Investment Objectives

The investment objectives of the Endowment Fund are:

- 1) Preservation of capital
- 2) Long-term growth of capital
- 3) Preservation of purchasing power

The objectives of the Fund should be pursued as a long-term goal designed to maximize the returns without exposure to undue risk.

Recognizing that intermediate market fluctuations may cause variations in the Fund's performance, the expectations are to achieve the following objectives over a 3-5 year time period. (For purposes of measuring performance, total return is defined as all dividends and interest and both realized and unrealized gains and losses reduced by investment expenses and fees.)

Investment Goals

- 1) The annual Target Investment Return for the Fund will be determined by the Spending Policy as established by the Finance Committee. A spending "rule" will be established to provide for the ongoing spending needs of the Foundation while preserving the corpus of the fund.
- 2) The returns of each investment manager/vehicle will be evaluated against an appropriate individual benchmark and peer group.

INVESTMENT GUIDELINES

Risk Tolerance

The Endowment Fund should be invested to minimize the likelihood of low negative total returns, defined as a one-year return worse than -10%.

Diversification

No more than 5% (at market) of the Endowment Fund may be invested in the securities of any one issuer; no more than 20% (at market) of the Endowment Fund may be invested in any one industry.

Exceptions to this requirement: securities issued by the U.S. Government, its agencies and instrumentalities; federally insured certificates of deposit; mutual funds or exchange traded funds.

Maturity

The average weighted maturity of the fixed income portion of the Endowment Fund will be 12 years or less. The maximum maturity of any individual fixed income security will be 30 years or less.

Credit Quality

The average credit quality of the fixed income portion of the portfolio shall be “A” or higher.

Asset Allocation

The Endowment Fund shall be invested in equities, fixed income securities, and cash and cash equivalents. The proportion of the Endowment Fund invested in each asset class should not be less or more than the following percentages:

Asset Class	Minimum	Target	Maximum
Cash & Equivalents	0	5%	15%
Fixed Income	35%	45%	55%
Equities	40%	50%	60%

Target Allocation

The investment consultant will present to Staff a recommended target asset allocation for the Endowment Fund. This target will be reviewed regularly, at least annually.

Rebalancing

In the event that the asset allocation of the Endowment Fund is +/- 10% from the Target Allocation in any asset class, the investments will be rebalanced to bring the allocation back inline with the target allocation. The portfolio’s asset allocation will be monitored on a quarterly basis.

Reporting

The investment consultant will prepare a quarterly report to be distributed to the Finance Committee containing a schedule of investments, the current asset allocation and investment performance compared to the objectives of this Policy and to appropriate benchmarks and indices.

PERMISSIBLE INVESTMENTS

Cash & Equivalents

- 1) Federally insured Certificates of Deposit not to exceed federally insured amounts unless the bank is rated at least “A” by Fitch Ratings
- 2) Money market funds
- 3) Checking accounts in federally insured banks and savings & loans not to exceed federally insured amounts unless the bank is rated at least “A” by Fitch Ratings
- 4) U.S. government and agency issues
- 5) Commercial paper rated A2/P2 or higher
- 6) Repurchase agreements (in conjunction with bank sweep accounts collateralized by U.S. government obligations)

Fixed Income

- 1) Senior, adjustable-rate U.S. bank notes.
- 2) Foreign government or foreign corporate bonds (up to 20% of the market value of the fund).
- 3) High yield U.S. corporate bonds (up to 10% of the market value of the fund).
- 4) Convertible U.S. corporate bonds (up to 10% of the market value of the fund).
- 5) Mutual funds or exchange traded funds investing in the above.

Equities

- 1) Common stocks of U.S. corporations.
- 2) Common stocks of non-U.S. corporations (up to 25% of the market value of fund)
- 3) Preferred Stocks of U.S. corporations (up to 20% of the market value of the fund)
- 4) Stocks of real estate investment trusts (REIT's).
- 5) Mutual funds or exchange traded funds investing in the above.

SPENDING POLICY

The PMI Educational Foundation recognizes that the establishment and consistent application of a spending policy is essential to the long-term success of the Foundation and the performance of its Operating, General & Endowment Funds (the Funds).

This spending policy is intended to establish reasonable and prudent spending from the Funds on an annual basis to support the Foundation's programs and general operations.

The Finance Committee will establish an annual **Spending Rule**, which will define the annual pay out percentage for the Funds. Once the Spending Rule has been approved, Staff shall have discretion as to the timing and method of withdrawal of the funds. The Spending Rule will be calculated as a percentage of the average total market value of the Fund for the trailing three years as of the end of the most recent calendar year. The Spending Rule will take into account projections for:

- Total return on the Funds (including dividends, interest income, realized and unrealized gains and losses, and investment expenses)
- Anticipated cash flows into or out of the Fund based on budgeted forecasts
- Estimated rate of inflation

The Spending Rule, anticipated inflation, and investment expenses will determine the annual **Target Investment Return** for each of the Funds. The PMIEF recognizes that from time to time annual investment returns may fall short of the target investment return in effect. PMIEF also recognizes that the Fund is invested in longer term securities and that PMIEF will measure performance based on real rates of return over market cycle (3-5 year) time periods.

The Spending Rule for the Funds for the initial period (calendar year 2007) will be 5% of the average market value of the Fund over the trailing three years. The current trailing three-year average market value shall be deemed to be \$17,500.

The initial calculation of the Target Investment Return is as follows:

Initial Spending Rule	5.0%
Rate of inflation (estimated)	2.5%
Investment expenses and fees (estimated)	<u>0.8%</u>
Target Investment Return	<u>8.3%</u>