Investment Policy Statement

For

SOCIETY FOR RISK ANALYSIS

Adopted on August 2005, Revised June 2015
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I. INTRODUCTION

This statement of investment policy (IPS) has been adopted by the Council of the Society for Risk Analysis (SRA) to provide guidelines for the investment of funds held by SRA.

Purpose

The purpose of this IPS is to assist SRA and investment consultant in effectively investing, monitoring and evaluating the management of SRA’s financial assets. This IPS defines the investment program as follows:

1. SRA’s attitudes, objectives and guidelines for management of Society assets.
2. The investment structure for managing these assets including the use of non-correlated asset classes, complimentary investment management styles and the proper asset allocation ranges that, in total, are expected to produce an appropriate level of overall diversification and total investment return over the stated time horizon.
3. The formal criteria to select, monitor, evaluate and compare the performance of selected fund managers.

There are three portfolios to be governed by this IPS:

- Unrestricted Reserves Fund (formerly called the "Operating Fund")
- New Initiative Fund
- Long-Term Fund

This policy sets a recommendation for a minimum value for SRA’s Funds. Money may be moved between the Unrestricted Reserves, New Initiative Fund and the Long-Term Fund as needed to meet the current needs of SRA, as authorized by the Council.

Procedures

Management Responsibility

Control of the investment of funds will be vested in the Council, Finance Committee, Staff, and the Investment Consultant/Managers as specified in the following levels of responsibility:

A. The Council will:
   1. Establish and approve all investment policies for SRA.
   2. Review the investment performance of all SRA funds and managers at least annually.
   3. Approve the investment consultant selected by the SRA Finance Committee.
   4. Authorize the Staff to utilize the services of investment consultants and third party investment advisors (money managers) to carry out this policy.

B. The Finance Committee will:
   1. Monitor investment decisions to ensure that they fulfill the investment objectives of this policy.
   2. Consider proposed revisions to the investment policy and recommend appropriate action to the Council.
   3. Evaluate and select an investment consultant.
4. Approve the annual dollar amounts to be invested in the New Initiative Fund and the Long-Term Fund.
5. Review the performance of all fund accounts and asset managers on a semiannual basis.
6. Make the final determination about any mutual funds and exchange-traded funds.

C. The Staff (consisting of Executive Secretary) and the Treasurer will:
   1. Annually recommend to the Finance Committee the dollar amounts to be maintained in the Unrestricted Reserves Fund, New Initiative Fund, and Long-Term Fund.
   2. Recommend to the Finance Committee for their approval any change in mutual funds or exchange-traded funds, and if approved, implement the change.
   3. Monitor investment decisions to ensure that they comply with the guidelines of this policy.
   5. Review the investment policy at least annually and present to Finance Committee any recommended changes.

D. The Investment Consultant will:
   1. Recommend to the Staff an asset allocation mix for SRA’s New Initiative Fund and Long-Term Fund.
   2. Conduct searches for and recommend specific mutual funds or exchange-traded funds for SRA’s New Initiative Fund and Long-Term Fund.
   3. Ensure that Staff receives monthly statements on SRA’s New Initiative Fund and Long-Term Fund.
   4. Prepare and distribute to the Staff and the Finance Committee quarterly reports analyzing investment performance of the New Initiative Fund and Long-Term Fund.
   5. Present to the Staff and Finance Committee any recommended changes in SRA’s investment policy.
   6. Be available to confer with Staff, Finance Committee and/or the Board of Directors as necessary.
   7. Be available to meet with the Board on an annual basis to review portfolio structure, investment performance capital markets and SRA’s investment policies and strategies.

II. INFORMATION ABOUT SOCIETY FOR RISK ANALYSIS

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Telephone: (703) 790 1745
Website: www.sra.org
Primary Contact(s): Treasurer R. Jeffrey Lewis, Past Treasurer John R. “Jack” Fowle, and Secretariat, David Drupa

The Society for Risk Analysis: The Society for Risk Analysis is a 501 c (6) organization. It is a multi-disciplinary, interdisciplinary, scholarly, international society that provides an open forum for all those who are interested in risk analysis. Risk analysis is broadly defined to include risk
assessment, risk characterization, risk communication, risk management, and policy relating to risk, in the context of risks of concern to individuals, to public and private sector organizations, and to society at a local, regional, national, or global level. The Society for Risk Analysis:

1. brings together individuals from diverse disciplines and from different countries and
2. provides them opportunities to exchange information, ideas, and methodologies for risk analysis and risk problem-solving;
3. fosters understanding and professional collaboration among individuals and organizations for the purpose of contributing to risk analysis and risk problem-solving;
4. facilitates the dissemination of knowledge about risk and risk analysis methods and their applications;
5. encourages applications of risk analysis methods;
6. promotes advancement of the state-of-the-art in research and education on risk analysis; and
7. provides services to its members to assist them in developing their careers in risk analysis.

III. UNRESTRICTED RESERVES FUND

These are funds needed by SRA for current operations. Significant funds are received in a one or two month time frame (e.g. dues and meeting revenues) and then expended over the entire year to meet the financial obligations of SRA. The Unrestricted Reserves Fund balances will thus fluctuate greatly during the year but are unrestricted in that they can be used for any purpose the SRA Council deems appropriate.

**Purpose**
The purpose of the Unrestricted Reserves Fund is to provide sufficient cash to meet the financial obligations of SRA in a timely manner. The Unrestricted Reserves Fund is to be used for the day-to-day operations of SRA; therefore, liquid investments with the highest possible yield and limited principal risk, if held to maturity, should be considered. Any excess funds in the Unrestricted Reserves Fund may be moved into the New Initiative Fund and Long-Term Fund for improved returns by the Finance Committee.

**Investment Objectives**
The investment objectives of the Unrestricted Reserves Fund are:

1. Preservation of Capital;
2. Liquidity;
3. Optimize return; and
4. Minimize fees.
**Investment Guidelines**
The funds will be in interest-bearing, liquid investments with limited principal risk, if held to maturity. The amount in the Unrestricted Reserves Fund will be set by the Finance Committee and reviewed at least quarterly by the Treasurer and Executive Secretary.

**Maturity**
The maturities on investments for the Unrestricted Reserves Fund shall be laddered per the table below. The ladder will be funded from the shortest time frame to the longest.

<table>
<thead>
<tr>
<th>MATURITY SCHEDULE</th>
<th>AMOUNT ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 6 months</td>
<td>First $200,000</td>
</tr>
<tr>
<td>6 months – 1 year</td>
<td>Next $200,000</td>
</tr>
<tr>
<td>1 year – 18 months</td>
<td>Next $200,000</td>
</tr>
<tr>
<td>18 months to 2 years</td>
<td>Next $200,000</td>
</tr>
<tr>
<td>2 years to 30 months</td>
<td>Next $200,000</td>
</tr>
<tr>
<td>30 months to 3 years</td>
<td>Next $200,000</td>
</tr>
<tr>
<td>3 years to 5 years</td>
<td>Any remaining balance</td>
</tr>
</tbody>
</table>

**Allowable Investments**
The Unrestricted Reserves Fund may be invested as follows:
1. Federally insured Certificates of Deposit not to exceed $250,000 per institution.
2. Checking Accounts in federally insured banks and savings and loans not to exceed federally insured amounts.
5. Repurchase agreements collateralized by US government or Agency obligations.
6. Investment Grade corporate bonds.
7. Fixed Maturity exchange-traded funds invested in approved securities

**IV. NEW INITIATIVE FUND**

**Purpose**
The purpose of the New Initiative Fund is to fund new initiatives approved by the SRA Council.

**Investment Objectives**
The investment objectives of the New Initiative Fund are:
1. Preservation of Capital;
2. Liquidity;
3. Optimize return; and
4. Minimize fees.

**Investment Guidelines**
Staff and Treasurer are authorized to invest the New Initiative Fund as follows:
1. Any investment permissible by the SRA Unrestricted Reserves Fund policy
2. Investment in mortgage backed securities
3. Mutual funds investing in securities that meet the maturity guidelines

**Maturity**
The New Initiative Fund shall invest in securities appropriate for a one to two year investment horizon. The maximum maturity for any individual security (excluding a mutual fund) shall be 3 years. The average weighted maturity of the portfolio or any mutual fund investment will be two years or less

**Spending Policy**
The spending for the New Initiative Fund should not exceed 25% of the value of the fund in any budget year unless recommended by the Finance Committee and approved by Council.

**V. LONG-TERM FUND**

**Purpose**
The Long-Term Fund may be unused for long periods of time so they should be invested in instruments expected to yield higher rates of return than those for the operational funds. The objective here should be to maximize return within reasonable and prudent levels of risk. A targeted return of 8.5% or approximately 5% above current inflation (measured by the Consumer Price Index) should be the objective over a three to five year market cycle. It is understood that to achieve this return on investment there will be risk to the principal value of the portfolio. Any changes to this fund will be approved by the SRA Council.

**Reserve Guidelines**
Prudent financial planning requires that SRA have some core reserves in addition to those used for routine operations. These funds will normally be used when operating funds are low due to expenses exceeding revenues, or to float short-term negative cash flow. The fund may also be used to finance short-term projects or capital acquisitions.

The goal of the Long-Term Fund is to grow it to meet the $650K cap (~100% of the Society's annual operating budget). Until that goal is achieved, 75% of any profit shall be channeled to the Long-Term Fund and 25% into the New Initiative Fund. Once SRA has met its reserve objectives, SRA will continue to set aside 25% of its annual profits each year into the New Initiatives Fund, with distribution of the remaining profits going into the Unrestricted Reserves Fund. As long as this has been achieved the New Initiative Fund is capped at $200 K as noted above.

These guidelines will be implemented by the Staff and Treasurer.

**Investment Objectives**
1. Preservation of Capital;
2. Maximize return within reasonable and prudent levels of risk over a 3-5 year market cycle;
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 that fluctuating rates of returns are characteristic of the securities markets. The greatest concern should be long-term appreciation of the assets and consistency of total portfolio returns. Recognizing that short-term market fluctuations may cause variations in the account performance, the expectations of the account will be to achieve the following objectives over a three-year time period:

1. The accounts total returns should exceed the Consumer Price Index by 5% annually.
2. The accounts total returns should exceed the 91-day Treasury Bill Index by a minimum of 4%.
3. The portfolio should be invested to minimize the likelihood of low negative total returns, defined as a one-year return worse than negative 10.0%. This is not expected to happen more than once in twenty years.
4. Invested in a manner to minimize fees given the investment policy constraints.

**Spending Policy**
Once reserve guidelines are met, the remainder goes to the Unrestricted Reserves Fund. The Long-Term Fund will normally be used when operating funds are low due to expenses exceeding revenues, or to float short-term negative cash flow. The fund may also be used to finance short-term projects or capital acquisitions.

**Allowable Investments**
Allowable investments for the Long-Term Fund are mutual funds and exchange-traded funds.

**Investment Guidelines for Mutual Fund Investments**
The investment guidelines for any commingled or mutual funds and limited partnerships are detailed in the prospectus or the Declaration or Trust for the individual funds. The investment consultant has the responsibility to review these guidelines to ensure that they are generally consistent with this investment policy. Where there are differences between the investment guidelines of the fund and this investment policy, the Declaration of Trust (or prospectus) shall govern.

**Prohibited Investments**
The following investments are prohibited:

1. Private Placements;
2. Letter stock;
3. Commodity or futures trading, except thorough mutual funds where the trading objective is to preserve principal;
4. Short selling;
6. Margin transactions;
7. Penny stocks;
8. Uncovered call and put options;
9. Speculative derivatives; and
11. Sector funds not associated with general mutual funds

**Security Guidelines**
1. Equity holdings in any one company should not exceed more than 10% of the market value of the equity portfolio.
2. Not more than 25% of the market value of the portfolios in any one economic sector.
3. The manager shall emphasize quality in security selection and shall avoid risk of large loss through diversification.
4. No bond position can exceed 10% of the market value of the fixed income portfolio except for U.S. Government bonds and Agencies.
5. No more than 40% of the non-U.S. equity portfolio can be in one country.

**VI. MUTUAL FUNDS**

The Finance Committee, with the assistance of the investment consultant, will choose the appropriate mutual fund(s) to manage SRA’s assets. The money managers are persons managing the actual portfolios. The mutual funds must:
1. Be a bank, insurance company, investment management company, or investment advisor as defined by the Registered Investment Advisors Act of 1940.
2. Provide historical quarterly performance numbers calculated on a time weighted basis prepared by an objective third party illustrating the risk/return profile of the mutual fund relative to other mutual funds of like investment style.

**VII. ASSET ALLOCATION (AS A % OF TOTAL LONG-TERM FUND)**

The portfolio 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. It shall be the responsibility of the financial advisor to remain within the range specified for each asset class.

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>MINIMUM WEIGHT</th>
<th>TARGET WEIGHT</th>
<th>MAXIMUM WEIGHT</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Large Capitalization Stocks</td>
<td>14%</td>
<td>20%</td>
<td>26%</td>
</tr>
<tr>
<td>U.S. Mid Capitalization Stocks</td>
<td>3.5%</td>
<td>5%</td>
<td>6.5%</td>
</tr>
<tr>
<td>U.S. Small Capitalization Stocks</td>
<td>3.5%</td>
<td>5%</td>
<td>6.5%</td>
</tr>
<tr>
<td><strong>TOTAL DOMESTIC EQUITY</strong></td>
<td><strong>30%</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Stocks</td>
<td>10.5%</td>
<td>15%</td>
<td>19.5%</td>
</tr>
</tbody>
</table>
### VIII. 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 three-year moving time period net of fees and commissions. Mutual funds and exchange-traded funds conforming to the policy guidelines may be used to implement the investment program.

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 $6.0 billion and primary shares of which are traded on a major U.S. stock exchange. These are indexed against the Standard & Poor’s 500 Stock Index (S&P 500).

**U.S. Mid Capitalization Stocks:** A portfolio of stocks comprised primarily of U.S. based companies with the average of the stocks held having a market value between $2.0 billion and $6 billion and primary shares of which are traded on a major U.S. stock exchange. These are indexed against the Russell MidCap Index.

**U.S. Small Capitalization Stocks:** A portfolio of stocks comprised primarily of U.S. based companies with the average of the stocks held having a market value less than $2 billion. These are indexed against the Russell 2000 Index.

**International Stocks:** Stocks of non-U.S. based companies, the primary shares of which are traded on exchanges outside the U.S. These are indexed against the MSCI EAFE Index.

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<table>
<thead>
<tr>
<th>Asset Class</th>
<th>3.5%</th>
<th>5%</th>
<th>6.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emerging Markets Stocks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INTERNATIONAL EQUITY</strong></td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Fixed Income</td>
<td>17.5%</td>
<td>25%</td>
<td>32.5%</td>
</tr>
<tr>
<td>International Fixed Income</td>
<td>3.5%</td>
<td>5%</td>
<td>6.5%</td>
</tr>
<tr>
<td><strong>TOTAL FIXED INCOME</strong></td>
<td>30%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>REITs (Real Estate Securities)</td>
<td>3.5%</td>
<td>5%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Hedged Strategies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ALTERNATIVE INVESTMENTS</strong></td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CASH &amp; EQUIVALENTS</strong></td>
<td>0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Emerging Markets Stocks:** Stocks of non-U.S. based companies, located in emerging markets, the primary shares of which are traded on exchanges outside the U.S. These are indexed against MSCI Emerging Markets Index.

**IX. 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. Mutual funds and exchange-traded funds conforming to the policy guidelines may be used to implement the investment program. The following definitions shall apply for the purposes of this policy:

**Core Fixed Income:** A portfolio consisting primarily of fixed income securities rated investment grade or better, denominated in US dollars issued by the US Government or US corporations. The generally-accepted, nationally-recognized index for this asset class is the Barclays Aggregate Bond Index.

**International Fixed Income:** These are issued by non-US governments or corporations and offer significant portfolio diversification, since US government and corporate debt often move in a similar manner to U.S. specific events. These bonds most often trade in the currencies of their domestic markets. These are indexed against S&P/Citigroup International Treasury Bond Index ex-U.S.

**X. ALTERNATIVE INVESTMENTS**

**Real Estate Securities:** Equity REITs, mortgage REITs, CMO or mortgage-related securities REITs, Health Care REITs, and equities of real estate operating companies. Equity REITs are those securities that meet the National Association of Real Estate Investment Trusts’ (NAREIT) asset mix definition of an equity REIT (currently, equity REITs are those where 75% of assets are equity financed properties). REITs may be perpetual life REITs or finite life REITs.

**Hedged Strategies:** These represent investments in strategies that seek to provide diversification through innovative and flexible strategies (such as the ability to short, add leverage and hedge). Diversification standards within each investment shall be according to the prospectus. Investments in these strategies carry special risks. The fund(s) may utilize aggressive investment strategies, trade in volatile securities, and use leverage in an attempt to generate superior investment returns. These are indexed against HFRI Fund of Funds Composite Index.
XI. REPORTING

The Investment Consultant will prepare a report to the Staff and Treasurer on a quarterly basis. The report shall contain a schedule of holdings, asset class percentages and performance compared to the objectives and to the appropriate indices.

On a timely basis, but not less than once a year, the Finance Committee will meet to:

- Discuss adherence to policy guidelines.
- Consider material changes suggested by investment consultant.
- Compare the manager’s results to appropriate indexes such as the S&P 500, MSCI EAFE International Index, and Barclays Aggregate Bond Index. Each manager is expected to perform in the top 30% of the manager’s respective style universe.
- Review this investment policy statement. Any changes to this policy require SRA Council approval and should be communicated in writing on a timely basis to all interested parties.
- Conduct a thorough review of mutual funds is required if a fund:
  o Performs in the bottom quartile (75%) of his peer group over a six-month or longer period.
  o Performs below the 50% percentile of his peer group consistently.
  o Have major changes in organizational structure.

ADOPTION

Adoption of this Investment Policy Statement for the Society for Risk Analysis is acknowledged by:

__________________________________________________________________________  __________
Title                           Date