



**FLORIDA ENDOWMENT FOUNDATION FOR VOCATIONAL REHABILITATION
INVESTMENT POLICY STATEMENT
November 17, 2021**

PURPOSE

The Florida Endowment Foundation for Vocational Rehabilitation (dba The Able Trust) is created by the Florida legislature as a direct-support organization of the Division of Vocational Rehabilitation, to encourage public and private support and as a long-term, stable, and growing source of revenue for the purpose of enhancing vocational rehabilitation and employment of Floridians who are disabled. It is the mission of The Able Trust to be a key leader in providing successful employment opportunities for Floridians with disabilities.

SCOPE OF THIS INVESTMENT POLICY

This investment policy has been established by The Able Trust Board of Directors to govern the investment management of the endowment fund created by public and private support. The intent of the Investment Policy Statement is to comply with the requirements of FS 413.615 and the Florida Uniform Management of Institutional Funds Act, FS 617.2104, to ensure prudent management of the assets to serve the best interests of Floridians with disabilities in their pursuit of successful employment.

Exceptions to this policy may only be made when adhering to specific requirements of donor advised funds.

BOARD DIRECTORS' ROLE

- a. The Board of Directors is appointed by the Governor and shall consist of nine members who have an interest in service to persons with disabilities and who:
 - i. Have skills in foundation work or other fundraising activities, financial consulting, or investment banking or other related experience; or
 - ii. Have experience in policymaking or management-level positions or have otherwise distinguished themselves in the field of business, industry, or rehabilitation.
- b. The Board will determine the Foundation's risk tolerance and investment horizon.
- c. The Board will establish reasonable and consistent investment objectives, policies, and guidelines that will direct the investment of the Foundation's assets.
- d. The Board will prudently appoint, evaluate and remove other service providers, such as investment management consultant(s), investment managers, custodian(s) and other specialist such as attorneys and auditors that it deems necessary for The Able Trust.
- e. The Board will review this Investment Policy Statement at least once per year. Changes to this Investment Policy Statement can be made by affirmation of a majority of the Board.

PRESIDENT & CEO ROLE

- a. Negotiate compensation arrangements with all service providers; control and account for all investment expenses.

- b. Receive, review, and retain reports of the investment consultant(s), and the custodian and other reports on the financial condition of The Able Trust investment funds.
- c. Manage and monitor all defined risks in the portfolio with assistance of the Investment Consultant(s).
- d. Authorize rebalancing between existing investment managers within the guidelines established by the board based upon recommendations from the consultant(s).
- e. Report recommendations and conclusions to the Board.

INVESTMENT MANAGEMENT CONSULTANT(S)

The Investment Management Consultant's role is that of a non-discretionary advisor to The Able Trust. Investment advice concerning the investment management of Fund assets will be offered by the Investment Management Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Responsibilities include:

- a. Manage the Fund's assets in compliance with the standards according to Uniform Prudent Management of Institutional Fund's Act (UPMIFA).
- b. Assist in the development and periodic review of investment policy and objectives.
- c. Assist in the development and periodic review of asset allocation strategy. Recommend strategic and tactical asset allocation changes within the guidelines of the policy.
- d. Review the capital markets in light of the Fund's investment objectives.
- e. Assist in the management and tracking of all defined risks in the portfolio.
- f. Implement portfolio rebalancing upon direction of the President and CEO within the guidelines of the policy.
- g. Assist in compensation negotiations with investment managers, custodians and other service providers. Assist the President and CEO in the determination, understanding, negotiation and accountability of all Fund investment costs.
- h. Conduct investment manager searches, make recommendations, provide "due diligence" or research on Investment Managers.
- i. Provide the performance of the total Fund and Investment Manager(s) to assist the Board of Directors with the ability to determine the progress toward the investment objectives.
- j. Communicate matters of policy, manager research, and manager performance to the Board of Directors.
- k. Review Fund investment history, historical capital markets performance and the contents of this investment policy statement with any newly appointed board members.
- l. The Investment Management Consultant must operate without any undisclosed conflict of interest.

INVESTMENT MANAGER(S)

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction and within guidelines of their stated investment methodology. Responsibilities include:

- a. Investment managers are required to maintain prudent diversification and manage the risk of their portfolios.
- b. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines of their stated methodology.
- c. Report, on a timely basis, quarterly investment performance results.
- d. Communicate any major changes to economic outlook, investment strategy, or any other factors that affect implementation of investment process, or the investment objective progress of the Fund's investment management.
- e. Inform the Investment Management Consultant regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
- f. Meet with the Investment Management Consultant and/or Board of Directors as needed.
- g. The Investment Manager must operate without any undisclosed conflicts of interest.

CUSTODIAN(s)

The custodian(s) will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian(s) may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund accounts.

INVESTMENT OBJECTIVE

- a. The funds are to be invested with the objective of preserving a long-term, stable, and growing source of revenue. Funds should provide a predictable and growing stream of quarterly distributions in support of successful employment opportunities for Floridians with disabilities.
- b. Investments will earn an average annual rate of return over 7 years which exceeds the average rate of inflation (CPI) by 3.5% net of all investment management expenses.
- c. For the purpose of making distributions, the Board will refer to FS 413.61, the contract between the Foundation and the Division of Vocational Rehabilitation; and The Able Trust Grants Policies.
- d. As of July 1, 2021, no amount of interest and earnings from the state investment funds may be used for administrative expenses as defined in FS 413.615 Section (8)(j).

INVESTMENT PRINCIPLES

- a. Investments will be made solely in the interest of the beneficiaries of the endowment as defined in FS 413.615.
- b. The endowment funds will be invested with care, skill, prudence, and diligence.
- c. The Able Trust recognizes that some risk is present in all types of securities and investments and recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet investment objectives. However, the investment managers are to make reasonable efforts to control risk and will be evaluated to ensure that all risk assumed is commensurate with the given investment style and objectives.

INVESTMENT POLICIES

a. Asset Allocation Policies

- i. The Board recognizes that the strategic allocation of portfolio assets across broadly defined financial asset and sub-asset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and asset value stability.
- ii. The Board recognizes that actual returns and return volatility may vary from expectations and return objectives across short periods of time.
- iii. The investment manager(s) shall make reasonable efforts to preserve the endowment corpus, understanding that losses may occur in individual securities. However, the investment manager(s) shall make reasonable efforts to control risk.
- iv. Endowment fund assets will be managed as a balanced portfolio composed of three major components: an equity portion, a fixed income portion, and an alternatives portion. The equity investments will be to maximize the long-term real growth of portfolio assets; the fixed income investments will be to generate current income, provide for a stable periodic return, and provide some protection against a prolonged decline in the market value of portfolio equity investments.; and the alternative funds will be for diversification and downside protection.
- v. Cash investments, under normal circumstances, will only be considered as temporary portfolio holdings, and will be used for fund liquidity needs or to facilitate a planned program of dollar-cost averaging into investments in either or both equity and fixed income asset classes.

b. Asset Allocation

- i. Assets will, under normal circumstances, be allocated across broad asset and sub-asset classes in accordance with the following guidelines with a fluctuation up to 10 percent:

Class	Asset Allocation	Allowable Range
Equity	60%	50-70%
Fixed Income	30%	20-40%
Alternatives	10%	0 – 20%
Cash	0%	0-10%

c. Rebalancing

- i. The investment portfolio will be reviewed quarterly and rebalanced, within guidelines, when any asset class is outside the minimum or maximum policy allocation. Rebalancing to Alternative Asset Classes will take into consideration the liquidity of those investment programs. Cash flows into or out of the Fund will be utilized to rebalance the portfolio as close to the strategic asset allocation as possible or toward a tactical allocation provided by the Investment Management Consultant. Tactical allocations must be within the maximum allocation limits provided.

EVALUATION OF PERFORMANCE

- a. *Performance Guidelines for the Total Fund:* The Board will monitor the investment performance against the portfolio stated investment objectives and as set forth below. Performance reports generated by the Investment Consultant(s) will be compiled quarterly and communicated to the Committee for review. Performance measurement will focus on:
- i. Comparing the portfolios total net return to CPI +3.5%.
 - ii. Comparing the portfolios total gross return to blended return of the following indexes.

40%	Russell 3000 Index
20%	MSCI AC World Ex US net Index
30%	Barclays Aggregate Index
<u>10%</u>	<u>HFRI FOF Diversified</u>
100%	Total
- b. *Performance Guidelines for Investment Managers* hired on behalf of the portfolio will be judged, over the investment horizon, against the following standards:
- i. Meet or exceed the market index, or blended market index, selected and agreed upon by the Board that most closely corresponds to the style of investment management.
 - ii. Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns, the portfolio beta, alpha, capture ratios, and other forms of risk management.
- c. Investment reports shall be provided by the investment consultant(s) on at least a quarterly basis or as more frequently requested by the Board. Quarterly reports will include, at a minimum, portfolio performance, current value of the portfolio, management fees, and any changes in investment philosophy or strategy. Each investment consultant is expected to meet with the Board at least once per year to review the portfolio structure, strategy, and investment performance.

SPENDING POLICY

- a. Disbursements from the endowment will be distributed on a quarterly basis and in accordance with FS 413.615 and the stated Investment Objectives.
- b. The value of the endowment includes dividends, realized and unrealized gains. This spending plan will be reviewed annually and recommendations for changes shall be considered by the Board.

ADOPTION

The Board adopted this Investment Policy Statement on the 17th day of November, 2021.