

## **FINANCE**

### **Financial Policy**

The Trustees for the Everett School Employee Benefit Trust (“Trustees”) serve as the fiduciaries responsible for managing and controlling the Everett School Employee Benefit Trust (“Trust”) and administering the benefits funded directly by the Trust.

The Trustees have all fiduciary responsibilities with respect to the Trust and for the benefits funded directly by the Trust, except for the following:

1. The Everett School District (“District”) and the Everett Education Association (“Association”) are responsible for appointing Trustees; and
2. The investment manager is responsible for those duties and responsibilities assigned to the investment manager under the terms of the Trust document, the Trust’s investment policy and the investment manager agreement.

The Trustees will develop and adopt procedures for carrying out this policy.

Reference: 200.1P Financial Management  
Trust document

Proposed: August, 2005  
Approved: August 29, 2005

**FINANCE**

**Financial Management**

1. The Trustees will adopt an investment policy, review the investment policy periodically, and update the investment policy as needed.
2. The Trustees will select, appoint and monitor the Trust's auditor. The Trustees will determine the criteria necessary for selection, appointment and monitoring of the Trust auditor.
3. The Trustees will select and retain an individual to perform the bookkeeping function for the Trust, including preparing Trust financials, preparing and paying Trust bills and interfacing with the Trust's auditors.

Reference: 220 Investment Guidelines  
420 Audits

Legal Reference: WAC 82-65-090(1)

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**FINANCE**

**Trust Fund Management**

1. The Trustees will select, appoint and monitor investment advisor(s), investment manager(s) and investment consultant(s) pursuant to the Trust document.
2. The Trustees will review investment performance and oversee compliance with the investment policy annually.

References:   200   Financial Policy  
                  210   Loyalty and Prudence  
                  220   Investment Guidelines  
                  420   Audits  
                      Trust document

Proposed: August, 2005  
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**FINANCE**

**Loyalty and Prudence**

As fiduciaries, the Trustees shall act solely in the interest of participants and their beneficiaries and for the exclusive purpose of providing benefits to participants and their beneficiaries and of defraying reasonable expenses of administering the Trust and the benefits funded directly by the Trust. The Trustees shall act prudently, with the skill and diligence that a prudent person acting in a similar capacity and familiar with such matters would employ.

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## **FINANCE**

### **Investment Guidelines and Rules**

#### **Role of Trustees**

The Trustees are responsible to ensure that the Trust fund is managed:

- effectively and prudently, in full compliance with law and the Trust.
- for the exclusive purposes of providing benefits to participants in the Trust and defraying the costs of administering the Trust.

The Trustees will select, retain, and replace an Investment Consultant, one or more Investment Managers and may select other professional service providers in connection with the investment of the Trust funds.

#### **Objectives**

The investment objectives of the Trust funds shall be the following, in the order given:

1. First, preservation of principal.
2. Second, meeting the liquidity needs of the Trust to pay claims and other expenses.
3. Third, diversification of investment to minimize the risk of large losses, within the permissible investment parameters of the Trust.

The permitted investments (described below) will be expected to meet or exceed the market index benchmark(s) set forth in Permitted Investment section of this Policy or such other benchmark(s) as established by the Trustees in consultation with the Trust's Investment Consultant. The Trustees, in consultation with the Investment Consultant, may also set a total investment return goal for the investments annually, based on expected deposits and spending requirements for the Trust.

#### **Investment Consultant**

The Investment Consultant ("Investment Consultant") shall be selected by the Trustees. The Investment Consultant is responsible to monitor and evaluate the conduct and performance of the Trust's Investment Managers on a periodic basis as directed by the Trustees. The Investment Consultant shall be completely independent of the Investment Managers. The Investment Consultant's review of the performance of the Investment Manager shall include, among other things, an evaluation of the Investment Manager's compliance with these Investment Rules and Guidelines and of the results of the Investment Manager in comparison to the benchmark index and with the performance of funds with similar investment strategies to the Trust. The review may also include recommendations on changes to the Permitted Investments or other portions of

these Rules and Guidelines. The Investment Consultant shall report the results of its independent monitoring and evaluation to the Trustees on an annual basis, or as otherwise directed by the Trustees. The Investment Consultant also may be asked to provide educational meetings or seminars on financial, fiduciary, investment, or similar matters to the Trustees.

### **Investment Manager**

The Trust fund shall be invested by one or more professional investment managers or management companies selected by the Trustees (“Investment Manager”). The day-to-day decisions concerning investments shall be made by the Investment Manager, who shall be a fiduciary of the Trust funds and who shall make such investments in accordance with these Investment Guidelines and Rules. The Investment Manager shall provide monthly, quarterly, annual, and other reports on the investments as required in the contract between the Trust and the Investment Manager.

The Trustees shall consider a variety of factors in selecting an Investment Manager, including costs and fees, past performance, prior experience with the investment of funds similar to the Trust, responsiveness, technical capabilities, experience and reputation of personnel, decision structure, and any other matter deemed relevant by the Trustees. The Investment Manager is required to report to the Trustees any material changes in the following which occur while the Investment Manager has been retained by the Trust:

- Material changes in the Investment Manager’s investment decision structure or process.
- Changes in organization of the Investment Manager, including mergers and acquisitions.
- Any change in key personnel of the Investment Manager responsible for the formulation and execution of investment strategy.

The Investment Consultant shall review the performance of the Investment Manager annually or otherwise as directed by the Trustees. The Trustees may, but need not, consult with other investment professionals concerning such performance as necessary or desirable. The Trustees may replace the Investment Manager or add additional Investment Managers at any time in their discretion. The Investment Manager may be selected by a request for proposal or other process on a periodic basis and as determined by the Trustees.

### **Liquidity Needs**

It is acknowledged that the liquidity needs of the Trust fund will vary from time to time depending upon circumstances then prevailing. Thus the administrative agent shall keep the Investment Manager informed on a periodic basis of the expected liquidity needs of the Trust.

### **Periodic Review of Guidelines**

The circumstances that bear on these Investment Guidelines and Rules may change from time to time. The Trustees, in consultation with the Investment Consultant, will review these Investment Guidelines and Rules at least once annually.

### **Permitted Investments**

Investments should have varying maturity dates as necessary to manage interest-rate risk, to comply with liquidity needs, and in order to achieve diversification of the Trust funds. Maximum maturity dates and maximum asset allocations for each type of permitted investment may be established in consultation with the Investment Consultant. Provided, however, that the maturity date for any permitted investment purchased after January 1, 2009, will not be longer than ten (10) years.

The Investment Manager may invest the available assets of the Trust fund only in the following types of investments:

Permitted Investment	Criteria	Benchmark Market Index
Cash/Money Market Funds	<p>The money market fund is invested in the highest quality debt with a weighted average maturity of 90 days or less.</p> <p>The fund is registered with and regulated by the Securities and Exchange Commission.</p> <p>The fund is rated by at least one nationally recognized rating firm of not less than AAA or its equivalent.</p> <p>The fund shall not be subject to any sales loads or other such contingent charges.</p>	Citigroup 3-Month T-Bill Index
U.S. Government Fixed Income	<p>Invested in public obligations of the U.S. Treasury that have remaining maturities of more than one year. Including U.S. Treasury Notes, Bonds and other issues backed by the full faith and credit of the U.S. Government.</p>	ML US Treasury 1-10 yr Index

U.S. Government Agency Fixed Income	Invested in issues of federal agencies of the U.S. Government or other such issues that are guaranteed by the full faith and credit of the U.S. Government.	ML US Agencies AAA 1-10 yr Index
Domestic Certificates of Deposit	Invested in certificates issued or endorsed by a domestic bank or a savings and loan association, organized and supervised under federal laws in which principal and interest are fully insured and unconditionally guaranteed by the U.S. Government.  Certificates will be rated by at least one nationally recognized rating firm of not less than A-1 or P-1.	N/A

Legal Reference: WAC 82-65-090(1)

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**FINANCE**

**Accounting Period**

The annual fiscal year for the Trust shall be the twelve month period commencing July 1 and ending June 30.

Reference: 230P Accounting  
Trust document Section 7.1

Legal Reference: WAC 82-65-090

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**FINANCE**

**Accounting Procedure**

The Trustees shall render annually to the District and the Association an account of its administration of the Trust.

Reference:   230   Accounting Period  
                          Trust document Section 4.4

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**FINANCE**

**Payment For Travel Expenses**

The Trust may pay travel expenses incurred by Trustees while on approved travel for meetings, seminars and conferences. The District's travel procedure is to be followed by Trustees, except that travel requests must be approved by the Trustee and travel expenses must be submitted to the Trust for reimbursement. Payment for meals is based upon per diem rates included in the District's travel procedure; all other allowable expenses shall not exceed the actual incurred expenses. Reimbursement of personal vehicle mileage is limited to current IRS regulations.

Reference: 110.9P Compensation  
7323 Payment for Travel Expenses (District Policy)  
7323P Travel Authorization and Expense Reimbursement (District Procedure)

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