



Investment Policy Statement (BOD Approved 12.20.2022)

Background

NPMA proudly serves nearly 5,000 company members and their employees and works daily to further their collective mission of protecting public health, food and property from the diseases and dangers of pests. NPMA exists to impact the businesses and livelihoods of those in the pest management community. We do that through education, industry leadership, public policy initiatives and market development resources.

Purpose

The purpose of the Investment Policy Statement is to set forth the policy and operational factors governing the investment management of the National Pest Management Association's reserves. This statement is meant to clarify risk factors in order to establish guidelines consistent with the investment profile of both the Operating and Reserve Funds. Through open communication between NPMA and the Investment Advisor, continuity of investment direction will be more effectively achieved. The fund's investment program is defined in the various sections of the IPS by:

- Defining and assigning the responsibilities of all involved parties.
- Outlining an overall philosophy that is specific, but sufficiently flexible enough to allow for changing conditions in the economy and securities markets.
- Describing an appropriate risk posture for the funds.
- Specifying the target asset allocation policy and the investment structure.
- Providing realistic long-term rate of return objectives, which will serve as standards for evaluating investment performance.
- Establishing investment objectives and guidelines regarding permissible assets, diversification, quality, etc.
- Outlining procedures for policy and performance review.

Responsibilities of the Board of Directors

The Board of Directors has a direct oversight role regarding all decisions that impact the Portfolio. The Board has delegated supervisory responsibility for the management of the Portfolio to the Executive Committee and the Finance and Audit Committee. The Board shall ensure that its fiduciary responsibilities concerning the proper management of the Portfolio are fulfilled through appropriate investment structure, internal and external management, and portfolio performance consistent with all policies and procedures. Based on the advice and recommendations of the Committees, the Board shall approve investment policies and objectives.

Responsibilities of the Finance & Audit Committee

The Committee is responsible for the development, recommendation, implementation, and maintenance of all policies relative to the National Pest Management Association Portfolio and shall:

- Develop, review, and recommend the IPS for approval by the Board of Directors.
- Determine NPMA's projected financial needs and risk tolerance.
- Review and approve changes to the target asset allocation.
- Monitor all fees charged to the fund for reasonableness.
- Periodically meet with management and the Investment Advisor to evaluate performance, assure adherence to policy guidelines, and monitor progress towards investment objectives.
- Review any recent actions taken by the Investment Advisor.
- Select and evaluate the Investment Advisor.

Responsibilities of Staff

Staff shall be responsible for the day-to-day administration and implementation of policies established by the Board and/or Finance and Audit Committee concerning the management of funds. Staff shall also be the primary liaison between any Investment Advisors and/or other outside professionals that may be retained to assist in the management of such funds. Specifically, staff shall:

- oversee the day-to-day operational investment activities of all funds subject to policies established by the Board and/or Finance & Audit Committee.
- ensure that the service providers adhere to the terms and conditions of their contracts; have no material conflicts of interests with the interests of the Association; and performance monitoring systems are sufficient to provide the Committee with timely, accurate and useful information.
- regularly meet with any outside service providers to evaluate and assess compliance with investment guidelines, performance, outlook and investment strategies; monitor asset allocation and rebalance assets, as directed by the Committees and in accordance with approved asset allocation policies, among asset classes and investment styles; and tend to all other matters deemed to be consistent with due diligence with respect to prudent management of funds.
- comply with accounting and auditing guidelines regarding due diligence and ongoing monitoring of investments, especially alternative investments. Prepare and issue periodic status reports to the Board and Finance & Audit Committee.

Responsibilities of the Investment Advisor

The Investment Advisor's role is that of a discretionary consultant, acting as a fiduciary to NPMA, its Board of Directors, Finance Committee, and Executive Staff. The Investment Advisor will have discretion to make investment decisions consistent with the investment objectives, policies, and constraints established in this statement. Specific responsibilities of the Investment Advisor include:

- Assist in the development and periodic review of the IPS.

- Provide asset allocation modeling which will help the Finance Committee select the target asset allocation.
- Proactively select, monitor and replace individual investments.
- Perform due-diligence duties as they relate to investment search, performance evaluation, and other significant issues that may impact the decision to retain or replace such investments.
- Proactively rebalance the funds and making tactical asset allocation shifts based on the prevailing or anticipated market environment.
- Communicate matters of policy, investment research, and investment performance to the Finance Committee in a timely manner.
- Provide fund performance reports at least quarterly.

Other Considerations

The investment policies contained herein have been formulated consistent with the Association's anticipated financial needs and in consideration of the Association's tolerance for assuming investment and financial risk, as reflected in the majority opinion of the Committees.

Policies contained in this statement are intended to provide guidelines, where necessary, for ensuring that the Portfolio's investments are managed consistent with the short-term and long-term financial goals of the Association. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in capital market conditions and in the financial circumstances of the Association.

Operating Fund

Purpose

The Association should maintain sufficient funds to provide liquidity for ongoing operations. The Association has determined this amount to be two months of the annual budgeted expenses (minus depreciation).

Operating shortfalls arising from timing differences in the annual budget will be funded through money market funds. The amounts will be reviewed quarterly, and investments will be reallocated to provide cash in accordance with the policy at the close of the fiscal year.

Asset Allocation

Operating Funds will be maintained in money market funds or securities with a guaranteed maturity date of less than six months. Eligible securities include money market mutual funds, federally insured certificates of deposit and US Treasury instruments.

Reserve Fund

Purpose

The purpose of the Reserve Fund is to help NPMA maintain its financial health and protect the organization from unforeseen financial circumstances or hardships.

Investment Objective

The investment objective for the Reserve Fund is moderate growth and income.

Asset Allocation

The portfolio consists of certificates of deposit, US Treasury bonds, investment grade corporate bonds, asset backed securities, US and non-US stocks. It is preferred that equities be purchased through a pooled investment vehicle such as a mutual fund or ETF instead of owning individual stocks.

Asset Class	Target Allocation	Allocation Ranges
Equity	30%	+/- 10%
Fixed Income	70%	+/- 10%

Diversification – No more than 5% of the portfolio combined may be in the same securities of any one issuer with the exception of obligations of the US Government and its agencies, and federally insured instruments.

Rebalancing Procedures

This portfolio will be rebalanced periodically to assure that the overall asset allocation target of the portfolio is maintained. Events including large deposits or withdrawals and significant market movements may trigger the need to rebalance the portfolio. The investment consultant will maintain a rebalancing threshold of +/- 10% of the target allocation percentage for each class.

Investment Portfolio Performance Goals, Review and Evaluation

The goal of the Investment Portfolio is to generate an investment return of +4% return, over inflation, as measured over a market cycle.

Performance reports generated by the Investment Advisors shall be compiled quarterly and communicated to the Association for review. The investment performance of the Portfolio will be measured against commonly accepted performance benchmarks for each asset class. Examples of sample benchmarks are:

Equities – MSCI All Country World Index IMI
Fixed Income – Bloomberg Barclays Aggregate
Cash – ICE BofA US 3-Month Treasury Bill

Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Investment Advisors intend to evaluate the portfolio over at least a three-year period, but reserve the right to reallocate funds for any reason including the following:

- Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
- Failure to adhere to any aspect of this statement of investment policy.
- Significant qualitative changes to the investment management organization.
- Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative

factors that may impact their ability to achieve the desired investment results.

Investment Policy Review

The Board will review this IPS at least annually to determine whether the stated investment objectives are still relevant and the continued feasibility of achieving policy goals and objectives. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.