

**ILLINOIS RETIRED TEACHERS ASSOCIATION FOUNDATION, INC.  
STANDING RULES**

**Section 1 - Definitions**

- A. "Foundation" shall refer to the Illinois Retired Teachers Association Foundation, Inc.
- B. "Fund" shall refer to all of the financial assets of the Foundation.
- C. "Board" shall refer to the Board of Directors of the Foundation.
- D. "UBIT" shall refer to Unrelated Business Income Tax.
- E. "Committees" shall refer to the Finance Committee and the Executive Committee of the Illinois Retired Teachers Association. The temporary committees that are appointed by the Board Chair and approved by the Board.
- F. "Foundation State Coordinator" shall refer to the Executive Director of IRTA.
- G. "Comptroller" shall refer to the Comptroller of IRTA.
- H. "Project" shall refer to any special program developed, operated, or administered by the Foundation. – Projects may not be held to all rules and procedures as defined by this document. Projects may require special rules in order to meet the requirements established through outside controlling authorities, such as a grant management board or other controlling authority or document. The IRTA Foundation Board must approve any such exceptions prior to Project implementation.

**Section 2 - Officers' Duties**

- A. Chair
  - 1. Presides over meetings;
  - 2. Appoints ad-hoc committees;
  - 3. Serves with the Foundation Vice-Chair, the Foundation Treasurer, the Foundation State Coordinator and the Comptroller as a committee to review applications for assistance and to determine who will be eligible;
  - 4. All other normal duties of this office.
- B. Vice-Chair
  - 1. Serves as Chair in the absence of the Foundation Chair;
  - 2. Serves with the Foundation Chair, the Foundation Treasurer, the Foundation State Coordinator and the Comptroller as a committee to review applications for assistance and to determine who will be eligible;
  - 3. Performs any duties assigned to him/her by either the Board or the Chair.
- C. Secretary
  - Shall be responsible for the minutes of meetings of the Foundation.
- D. Treasurer
  - 1. Shall be Chair of the Finance Committee;
  - 2. Provides a report to the Board on the financial condition of the Foundation;
  - 3. Presents annual budget to the Board for approval at the fall meeting;

4. Serves with the Foundation Chair, the Foundation Vice-Chair, the Foundation State Coordinator and the Comptroller as a committee to review applications for assistance and to determine who will be eligible.

### **Section 3 - Foundation State Coordinator**

The Board does not delegate its authority to govern the Foundation, but may grant certain powers or actions to the Foundation State Coordinator including, but not limited to the following:

1. The IRTA Foundation State Coordinator is the Chief Executive of the Foundation and responsible for the day-to-day operations;
2. The Foundation State Coordinator reports to the Board of Directors.
3. The Foundation State Coordinator has the ultimate responsibility of making sure the Foundation accomplishes its goals and objectives.
4. As the Chief Administrator, the Foundation State Coordinator is responsible for hiring staff as needed, making sure the staff collectively has the skills needed to perform the various jobs required. He/she makes sure the Foundation has the space needed to house the staff appropriately, and the technology and other tools to do their jobs efficiently. In addition to overseeing the day-to-day operations of the Foundation, he/she sets the example that motivates the staff to accomplish the Foundation's goals.
5. A major goal of a foundation is to raise funds to support its programs and, scholarships and grants. Therefore, the Foundation State Coordinator's attention to fundraising efforts is critical. While other staff members may have the day-to-day responsibility for fundraising details, the Foundation State Coordinator makes sure all efforts stay on track. He/she oversees the distribution of scholarships and grants and evaluates the effectiveness of past programs.
6. The Foundation State Coordinator serves with the Foundation Chair, the Foundation Vice-Chair, the Foundation Treasurer, and the Comptroller as a committee to review applications for assistance and to determine who will be eligible.
7. Working with the Foundation's Comptroller and Finance Committee, the Foundation State Coordinator prepares and proposes an annual budget to the Board.
8. Such other duties as may be assigned by the Board.

### **Section 4 - Committees**

- A. All Ad Hoc Committees shall be appointed by the Chair of the Foundation Board. The purpose of each committee is to collect, study, analyze, make reports and recommend appropriate action to the Board.
- B. The minutes of each committee meeting shall be submitted to the IRTA Office within two weeks following the meeting. Copies of the minutes will be distributed to the Foundation Board and each IRTA unit president.
- C. Finance Committee
  1. The IRTA Finance Committee shall serve as the Finance Committee for the Foundation.

2. Duties:

- a. The Committee shall meet each year prior to the spring meeting of the Foundation to review the financial audit for the previous year. The Committee will forward the audit to the Board with recommendations.
- b. The Committee shall meet in the summer or early fall of each year to review the status of the current operating budget and to draft a proposed budget for the Foundation for the coming year.

**Section - 5 Allowances for Authorized Travel and Lodging**

- A. The Foundation will reimburse travel and related expenses for the Board of Directors and committee members at rates approved by the Board of Directors.
  1. The following rates are currently approved:
    - i. Automobile - \$ 0.40 per mile (effective May 1, 2008)
    - ii. Lodging as arranged by the IRTA office.
    - iii. Meals: Breakfast - \$5.50  
Lunch - \$6.50  
Dinner - \$17.00
  2. Other related expenses may be considered for reimbursement.
  3. Receipts must be submitted.
  4. Cost of alcoholic beverages will not be reimbursed.
  5. Persons exceeding these rates will be responsible for the difference in cost.
- B. Expense vouchers must be submitted to the IRTA Office within 30 days after the date on which the expenses have been incurred. The voucher must clearly identify:
  1. Date and destination for each trip;
  2. Reason or accomplished task for each trip;
  3. Total mileage for each trip;
  4. Cost of authorized shelter with attached receipt;
  5. Cost of authorized meals with attached receipts;
  6. Miscellaneous expenses as authorized;
  7. Total reimbursement requested for each trip.

**Section - 6 Accounting Control**

- A. The basic books of the Foundation shall consist of, but not be limited to: Cash Receipts Journal, Cash Disbursements Journal, Payroll Journal, and General Ledger.
- B. Subsidiary records that support the primary accounting system shall be maintained (i.e., travel vouchers, purchase orders, vouchers).
- C. All disbursements, except petty cash, shall be made from the appropriate checking account.
- D. Savings accounts shall be maintained when sufficient funds are available.
- E. The accounts of the Foundation shall be audited by a certified public accounting firm each year after January 1.
- F. The Comptroller shall be responsible for the reports to the Illinois Secretary of State and all other required financial reports.
- G. The Foundation shall, as appropriate, carry bond and insurance policies which cover:

Fidelity Bond; Public Liability and Malpractice; motor vehicles, equipment and buildings; bid guarantee; and performance or payment bonds.

### **Section - 7 Fiscal Control**

- A. All monies and vouchers received by the Foundation shall be date stamped “Received” and shall be recorded by the office receptionist and entered on a cash receipt voucher.
- B. All receipts, separated by funding source, shall be entered into the Cash Receipts Journal by the Comptroller.
- C. The Comptroller shall reconcile monthly the Cash Receipts Journal with the Check Log.
- D. All bank accounts shall be reconciled monthly by the Comptroller.
- E. Purchases shall be verified, as necessary, by the Foundation State Coordinator.
- F. All purchases shall be reconciled to invoice by the Comptroller. All invoices shall be authorized for payment by the Foundation State Coordinator or by authorized staff.
- G. All disbursements shall be made by check from the appropriate account. Invoices shall be marked “Paid” as the check is written. The funding account shall be entered on each check.
- H. All checks shall require two signatures as authorized by the Foundation Board. Advance signing of checks is prohibited.

### **Section - 8 Investments**

- A. The objective of the Fund is to provide for the stability and the continued growth of the Foundation’s assets. All actions taken by the Board shall be directed toward this objective.
- B. The Board’s investment objective is to provide the greatest benefits to further the charitable work of the Foundation by maximizing the total rate of return on investments within prudent parameters of risk for a fund of this type.
- C. Definition of Responsibilities
  - 1. The Foundation is governed by a Board of Directors. Investment of funds shall be made solely in the interest of the Foundation.
  - 2. The Board has the responsibility for establishing the investment policy (described below) to guide the investments of the Fund. The Board determines the investment policy by considering the potential financial and risk/reward implications of a wide range of policies and prescribing the degree of risk acceptable to the Fund.
  - 3. The Board shall select Registered Representatives from financial firms who shall invest only in investment vehicles that have been approved by the Board. Registered Representatives may be used on a consultative basis to the Board in assisting the Board to achieve the overall objectives of the Foundation.
  - 4. The Board delegates to the Executive Committee the authority to make and approve investments as recommended by the Finance Committee in accordance with this policy. The Executive Committee shall report to the Board at its semi-annual meetings all investment actions taken by the Executive Committee.

5. Participation in the affairs of any non-profit body demands a high personal integrity and conduct. Especially this is true when the wise utilization of funds of others is involved. Fiduciaries must discharge their responsibilities without prejudice or favor, avoiding at all times external pressures and any conduct which could create a conflict of interest.

#### D. Management of Assets

1. Investment return shall be achieved within prudent levels of liquidity and investment risk.
2. The Foundation shall operate in compliance with all applicable laws and regulations concerning non-profit organizations and shall follow the “prudent person rule.” The “prudent person rule” of investment means that in investing and reinvesting assets of the Foundation and in acquiring, retaining, managing, and disposing of investments of the Foundation, there shall be exercised the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital.
3. The Board shall establish the long-range asset allocation for the Fund, which shall be used to allocate Fund contributions for investment and reallocate assets, as necessary across the Board approved asset classes.
4. The bond, equity and alternative investments shall be managed to keep the return of the Total Fund in line with this investment policy.

#### E. Asset Allocation Policy

1. “Asset Allocation” refers to the establishment of percentage guidelines of the investment of assets in equities, bonds, cash equivalents, and other general forms of investment, and not to individual security selection.
2. The Board shall carefully consider the following factors in reviewing the allocation of assets and overall program performance:
  - a. Characteristics of each investment vehicle;
  - b. Liquidity requirements;
  - c. Acceptable investment risk;
  - d. Appropriate performance objectives.
3. The Fund possesses the following characteristics:
  - a. The Fund comprises the assets of a non-profit organization.
  - b. The Fund’s earnings may be transferred to the operating fund of the Foundation. The investment earnings are a significant part of the Foundation’s stability and future.
  - c. The Fund’s risk tolerance is determined, in part, as a function of its intermediate term investment horizon.
  - d. Investment income and realized and unrealized capital gains of the Fund are exempt from federal and state income taxes, including UBIT, as long as the Foundation maintains its non-profit status.
4. The most suitable asset allocation for the Fund shall be determined by the Board and is subject to periodic review and amendment.

5. Constraints
  - a. No more than 30% of the market value of the Fund's total assets should be in cash equivalents.
  - b. The maximum asset allocation permissible for real estate, not including the building that houses IRTA and Foundation staff, is 15% of the Fund's market value.
- F. Investment Guidelines – Asset allocation shall be implemented within the following guidelines:
  1. Liquidity: Assets shall be structured to meet the liquidity requirements of transferring earnings to the Foundation operating fund.
  2. Market Risk: The aggregate risk level appropriate for the Fund is determined by this policy and is a function of economic conditions and liquidity requirements, keeping in mind the fiduciary purpose for which the assets were accumulated.
  3. General Investment: The responsibility for investment selection shall lie with the Board in conjunction with the asset manager and the finance committee. The investment selection shall be within investment guidelines which shall conform to these three areas:
    - a. Permitted investments
    - b. Quality restrictions
    - c. Diversification and issuer concentration restrictions
  4. Mutual Funds: Investment in Mutual Funds may be used for all or part of the Fund's assets. The mutual funds selected shall be those that the Board feels provide the best opportunity to achieve their short, intermediate, and long-term goals. When considering the utilization of mutual funds, overall investment objective, history of performance, load (if any), annual fees, comparison portfolio, and flexibility of transferring to funds with different objectives, shall be taken into account.
  5. Fixed (bond) income investment portfolio guidelines:
    - a. Permitted investment
      - (1) Fixed income investments shall be confined to marketable bonds, preferred stocks, securities convertible into common stocks, and cash equivalents including commingled short-term investment funds.
      - (2) No private placement debt securities, paper or non-convertible preferred stocks shall be purchased.
    - b. Quality Restrictions
      - (1) The minimum quality rating acceptable for marketable bonds purchased or retained is Moody A or Standard and Poor's A-, or its equivalent, unless prior approval is granted by the Board.
      - (2) No more than 20% of the market value of the portfolio may be invested in securities at any time.
    - c. Diversification and Issuer Concentration Restrictions
      - (1) The portfolio shall be diversified in order to minimize the risk of larger losses.
      - (2) Aggregate holdings in any one issuer shall be limited to 10%

of the market value of the portfolio for fixed income investments at the time of the investment.

- (3) Investments in commingled short-term investment funds and securities of the U.S. Treasury or government agencies are exempt from the 10% limit.

6. Equity Investment Portfolio Guidelines:

a. Permitted investments

- (1) Equity investments are confined to common stocks and securities convertible or exercisable into common stocks.
- (2) Equity call options written on common stocks owned by the Fund are permissible with prior approval of the Executive Committee on recommendation of the Finance Committee.

b. Quality Restrictions

- (1) The minimum credit rating for a convertible bond shall be “A” by Moody’s and “A-” by Standard and Poor’s.
- (2) Convertible preferred stocks shall be rated at least “A-” or its equivalent.
- (3) Commercial paper investments must be rated at least P-2 and/or A-2 by Moody’s and Standard and Poor’s respectively.

c. Diversification and Issuer Concentration Restrictions

- (1) No individual security shall constitute more than 10% of the market value of the portfolio, or its equivalent representation on the Standard and Poor’s 500 Index, whichever is larger
- (2) No single industry group shall constitute more than 15% of the market value of the portfolio, or its comparable representation in the Standard and Poor’s 500 Index, whichever is larger.
- (3) No stock shall be purchased unless it is traded on one of the major stock exchanges or the over-the-counter market.

7. Guidelines Applicable to All Investments:

a. Restricted transactions

- (1) Conflicts of interest and transactions between fiduciary and parties in the interest, under Sections 406 and 408 of Title I, Employees Retirement Income Security Act (ERISA) are prohibited.
- (2) No transactions shall be made which threaten the tax-exempt status of the Foundation.
- (3) No letter stock shall be purchased.
- (4) No monies shall be borrowed and margin accounts associated with the utilization of financial futures shall not be used.
- (5) No short sales shall be made.
- (6) No commodity transactions, including the purchase or retention of gold or other precious metals, shall be made.
- (7) No oil or gas leasing transactions shall be made.

G. Monitoring, Evaluating and Fund Performance Objectives

1. The Board shall conduct a review of the Fund’s overall performance at least

once a year. The Finance Committee shall review investment results semiannually.

2. Performance objectives of the Fund are to be viewed over the long term and have been established after full consideration of all factors set out in this Statement of Investment Objectives and Policies.
  - a. The primary objective of the Fund is the preservation of capital along with reasonable current income.
  - b. The long-term (market cycle) objectives of the Mutual Fund portion of the Fund are to achieve an average total investment return (cash income in combination with market value change) which will at least equal the Standard and Poor's 500 Index.
  - c. The long-term (market cycle) objectives of the equity investments portion of the Fund are to achieve an average total investment return (cash income in combination with the market value change) which will exceed the rate of inflation by six percentage points.
  - d. The long-term (market cycle) objectives for the real estate investments of the Fund is to achieve an average annual return which will exceed the rate of inflation by six percentage points.
  - e. The performance Evaluation Time Horizon shall be a time period of 3 to 5 years or a market cycle. Practical recognition of the opportunities available within the market cycle will be considered.

### **Section - 9 Special Funds**

Specially designated funds (e.g., Scholarships, Teacher Support, etc.) that are received as contributions shall be accounted separately so that an accurate tally may be given at any time.

### **Section - 10 Bequests**

- A. Bequests (\$5,000 or less) if undesignated, shall be used for building maintenance and repair.
- B. Large bequests (\$5001 or more), if undesignated, shall be allocated and designated by the Board.