

**Section of Family Law**  
**Investment Policy**

**(Adopted April 2004 )**

**Responsibility**

The Section's Chair, in consultation with the Section's Finance Committee and officers, is authorized and directed to invest the Section funds in accordance with this policy and the policies of the American Bar Association (the "ABA"). The Financial Officer shall advise the Officers and finance committee immediately after taking any action in regard to investments.

**Investment Objectives**

The Section's investment objectives are:

- Preserve the value of capital invested.
- Pursue reasonable additional capital return in excess of the inflation rate.
- Diversification of investments to extent prudent considering market conditions.
- Maintain liquidity to the extent appropriate considering fixed and likely near-term requirements of the Section.

**Reserves**

**Permanent Reserve.** The Section shall maintain a Permanent Reserve for the purpose of providing funding for unforeseen expenses or liabilities that cannot be paid from the operating budget without significantly affecting existing programs and operations. The Permanent Reserve shall be used to fund unforeseen expense or liabilities only if

approved by the Council of the Section and only if the expense or liability cannot be paid out of the Operating Fund. A second purpose of the Permanent Reserve is to provide funding for projects that have a long-term benefit to the Section and are deemed by the Council as an appropriate use of the Permanent Reserve.

The targeted amount for the Permanent Reserve is equal to six months of Section expenses. This amount will be defined as 50 percent of actual expenses for the prior fiscal year. As long as the level of the Permanent Reserve is maintained or exceeds this amount at the beginning of the fiscal year, a portion of the Permanent Reserve may be used to cover operating expenses.

The Permanent Reserve shall be invested in long-term assets. The Section's Chair in consultation with the Section's Finance Committee, will set the target investment allocations so that the allocations can respond to economic conditions. These target allocations shall be set within the following permissible ranges with the understanding that these ranges may be adjusted to react to market conditions:

	<u>Permissible Range</u>
U.S. Equity	55-65%
Non US Equity	5-10%
Total Equity	60-70%
Fixed Income	30-40%

Transfers shall be used to maintain the allocations as close as practicable to the target allocations. If cash flows are insufficient to maintain the allocations within the permissible ranges as of any calendar-quarter end, balances shall be transferred as necessary between the asset types to bring the allocation back within the permissible ranges.

**Operating Fund.** The Section shall also maintain an Operating Fund. The Section's dues revenue and other revenue shall be deposited into the Operating Fund. The Operating Fund should be budgeted so that it will be sufficient to pay budgeted expenses for the ensuing four-fiscal quarters. The Operating Fund shall be invested in the ABA's cash and short-term investment fund.

### **Reporting and Other**

The Financial Officer is to periodically provide the Finance Committee, the Section's Officers and Council with status reports of the Section's investment activities. Further, the Financial Officer is authorized, on behalf of the Section, to the extent it deems appropriate, to inform the ABA's Finance Committee or others of its views on the investment of reserves, including suggested changes in investment options and the performances (investments and quality and timing of disclosure) of the investment managers.