

MICHIGAN  
STATE BOARD OF EDUCATION

**TRUST FUND MANAGEMENT POLICY**

**Bank One/Chase (NBD) Trusts**

- I. Asset Allocation: Asset allocation ranges are permitted to allow the investment manager to take advantage of market opportunities while maintaining a prudent level of risk.

Equities:	35% to 65%
Fixed Income:	35% to 55%
Cash Equivalents:	0% to 25%

defined as:

Equities: diversified portfolio of attractively priced financially sound companies with market capitalizations greater than \$100,000,000.

Fixed Income: portfolio of obligations rated A or better with maturities less than 15 years and a duration actively managed between 75-125% of the duration of the Lehman Intermediate Bond Index.

Cash Equivalents: Securities of the highest credit quality.

- II. Restrictions: None
- III. Measurement: Total account, equity, fixed income and cash equivalents results will be compared to appropriate market indices and investment management universes.
- IV. Periodic Review: The client and the investment manager will review the investment charter at least semi-annually.
- V. The Annual Payout Factor: The annual payout factor will be 5% of the market value of the Trust Fund applied to the weighted average market value for the last three years as of September 30 of each year. The earliest market year will be given a 25 percent weighting, the middle market year a 35 percent weighting and the latest market year a 40 percent weighting.

- VI. The reimbursement payments made from the J.P.Morgan/Chase Fund to the Michigan Department of Education (MDE) during each fiscal year will be on an "as requested" basis.
- VII. The Trust Fund Management Policy for the J.P. Morgan/Chase Fund will be reviewed annually by the SBE's Trust Fund Committee and revised as needed.
- VIII. Accumulated gifts, trusts, bequests or donations in excess of those identified for current year spending may be deposited into the J.P. Morgan/Chase Trust Fund under the administration of the MDE.
- IX. The Trust Fund Committee shall meet no less than once yearly to evaluate the performance of the J. P. Morgan/Chase Fund and shall have the authority to request from the Fund manager identified by the financial institution, such reports or information necessary to evaluate the performance of the Fund. Annually, the Trust Fund Committee shall report to the SBE. This report shall include, but not be limited to:
  - a. an inventory and valuation of the assets of the Fund
  - b. an income statement for the preceding year ending September 30
  - c. dividends and interest paid by the fund in the preceding year ending September 30
  - d. fees or other charges to the Fund by the managing financial institution for the preceding year ending September 30
  - e. the total return on investment of the invested funds for the previous one, five, and ten years
  - h. a recommendation regarding the continued investment of the Fund, including recommendations for changes in investment practices or policies of the Fund; and
  - i. other information as may be of interest to the SBE.
- X. Statements of activity from the managing financial institution shall be received by designated members of the Trust Fund Committee and the State Board Executive. The reports shall be reviewed by the Director, Office of Financial Management of the MDE for compliance with financial goals. The Director will inform the Trust Fund Committee of any concerns or discrepancies. The Trust Fund Committee shall meet to discuss such concerns and recommend appropriate action.

- XI. Authorized signers to give instructions and/or authenticate such instructions on behalf of these trusts include:
- Superintendent of Public Instruction (authorized signer);
  - Director, Office of Financial Management of the MDE (authorized signer);
  - State Board Executive (authorized signer);
  - Deputy Superintendent for Administrative and Support Services (callback contact); and
  - Manager of Financial Management (callback contact)

Authorized Signers and Authentication sheet attached.

Approved October 14, 2008