

**ILLINOIS STATE MEDICAL SOCIETY**

**Resolution 09.2018-04  
(A-19)**

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Subject: ISMS Investment Guidelines

Referred to: Finance and Medical Benevolence Committee

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1           Whereas, previous ISMS policy has supported initiatives “divesting in tobacco  
2 stocks” (HOD 1997), that “strip its investment portfolio of all holdings of firearms  
3 manufacturers” (HOD 1998) and that are “mindful of investing in companies that  
4 generate a majority of their profits and income from the production of fossil fuels” (HOD  
5 2017); and

6  
7           Whereas, the ISMS Investment Committee has subsequently avoided investment  
8 in tobacco or firearms companies, either in the form of individual stocks, mutual funds,  
9 or bonds; and

10  
11           Whereas, management of an individual stock portfolio can have higher fees (up  
12 to 1-1.5% of portfolio value) and investment restrictions that limit returns; and

13  
14           Whereas, a recent survey by the Council of Foundations of 188 public and private  
15 foundations found that just 16% had any type of mission-related investing.<sup>1</sup>; and

16  
17           Whereas, mutual funds are the current investment vehicles of 94 million  
18 Americans.<sup>2</sup>; and

19  
20           Whereas, index stock funds traditionally have much lower expense ratios, even  
21 while beating the returns of many managed funds; and

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23           Whereas, the largest index stock fund, the Vanguard S&P 500, tracked the index  
24 with excellent returns of 33.72% over 2016-7, with low management costs of 0.04% of  
25 portfolio value.<sup>3</sup>; and

26  
27           Whereas, socially-conscious investment strategies, referred to as “impact  
28 investing,” may have somewhat higher expense ratios and lower returns than index  
29 funds,<sup>4</sup> but often still fare better than individual stock portfolios; and

1           Whereas, the largest socially-conscious mutual fund, the Parnassus Core Equity  
2 Fund, has had solid returns of 26.99% from 2016-7, with management fees of 0.97% of  
3 portfolio value.<sup>3</sup>; and  
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5           Whereas the AMA has grappled with the issue with impact investing, as  
6 described in the 2017 Annual Report:  
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8           The total investment return on the portfolio was 9.4 percent. The 2017 return  
9 compares to a composite benchmark index of 10.6 percent. AMA's portfolio is  
10 balanced almost equally between equity and fixed income. AMA does not invest  
11 in passive index funds due to the prohibition on tobacco-related investing.  
12 Passive index funds have substantially outperformed active management for the  
13 last several years.<sup>5</sup>; and  
14

15           Whereas, ISMS needs to conserve its limited resources to serve all of the socially-  
16 conscious purposes of the Society itself; therefore, be it  
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18           RESOLVED, that the ISMS House of Delegates recommends to the Investment  
19 Committee that mutual funds, including broad-based index funds and social impact  
20 funds, may be utilized as part of a low-cost investment strategy.

## References

1. [www.huffingtonpost.com](http://www.huffingtonpost.com). Alex Haber, 10/4/16. Impact Investing for Nonprofits: How to Make Your Assets Work for (Not Against) Your Mission.
2. [www.ici.org/viewpoints](http://www.ici.org/viewpoints). Sarah Holden, 2/4/17. ICI Study: 55 Million US Households Own Mutual Funds.
3. [www.morningstar.com/fund](http://www.morningstar.com/fund). Morningstar Analyst Report, 9/7/18.
4. [www.forbes.com](http://www.forbes.com). Christopher Ategeka. 1/4/16. Why Impact Investing Is Hurting Nonprofits.
5. 2017 Annual Report, American Medical Association.

**Existing ISMS policy related to this issue:**

1. ISMS supports the Teachers insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) initiative of educators divesting in tobacco stocks as consistent with AMA policies and encourages its members who are faculty at medical schools to become familiar with this issue and to become leaders in informing their university colleagues regarding this TIAA-CREF initiative (HOD 1997)
2. ISMS, in considering future investment of the Society’s financial resources, be mindful of investing in companies that generate a majority of their profits and income from the production of fossil fuels. (Adopted BOT 2017 – JAN); Last BOT Review 2017)
3. House of Delegates adopted Res. 41 (A-98) as amended which directed that the Society strip its investment portfolio of all holdings of firearm manufacturers; and ask the AMA to publicly divulge all such holdings and strip its portfolio of all holdings of firearms manufacturers. (HOD 1998).

**ISMS Portfolio Investment Guidelines**

Excluded Investments