



INVESTMENT POLICY

INTRODUCTION

The Northwest State Community College Foundation, established in the 1970s, is a non-profit tax exempt 501(C)(3) organization and is dedicated to inviting resources to participate in the promotion of Northwest State Community College's long-term success.

I. GOAL OF INVESTMENT PROGRAM

The investment program of the Northwest State Community College Foundation (Foundation) is designed to ensure that the financial resources to support the continued needs of the Northwest State Community College (College) are perpetuated through the growth of the Foundation assets. In managing the assets of the Foundation, the Foundation Board of Directors (Directors) shall use the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use.

II. PURPOSES OF INVESTMENT POLICY

The investment funds of the Foundation are a vital source of funding to the College. The growth and enhancement of the assets entrusted to the Foundation's stewardship is necessary to provide funds that enable the College to pursue its mission of providing access to those who seek to learn. For these reasons, management of these assets is critical to enable the Foundation to maintain its long-term interest and involvement in the philanthropic needs of the College.

The purposes of this investment policy are:

- Define and assign the responsibilities of all involved parties;
- To establish a clear understanding of the investment objectives of the Foundation and to make decisions as to realistic long-term investment goals;
- To serve as a guideline for the Finance Committee (Committee) of the Foundation and all investment managers retained by the Foundation; and
- To define standards that will be used by the Foundation for monitoring investment performance on a continuing basis and for evaluating the performance of investment managers.

III. ADMINISTRATIVE POLICY

The intention of the donor shall be a prime concern of the Foundation. No agreement shall be made between the Foundation and any Agency, person, company or any organization on any matter, whether investments, management, or otherwise, without consideration of the donor's interests or written expressed wishes.

Prospective donors shall be advised to seek legal counsel in any and all aspects of their proposed giving, whether bequest, trust or agreement contract.

Foundation Directors and the Foundation authorized personnel shall exercise caution when dealing with prospective donors.

The Foundation books shall be audited annually under the direction of the Ohio Auditor of State's Office in conjunction with the College audit.

All gifts-in-kind accepted by the Foundation will be transferred to the College in a timely manner.

Gifts made to the Foundation undesignated as to the purpose of the gift will be directed to the unrestricted fund. Formal Foundation Board action will then be required to redistribute individual donations over \$50,000.

The Foundation has adopted a distribution policy, which follows the total-return concept. The distribution policy balances spending with endowment growth by considering market value, gains, yield and inflation. The Committee has established a distribution rate of 4.5% of a three-year rolling average of the market value of the permanent and temporary restricted fund. Any distribution rate that exceeds 5% requires recommendation of the College President, College CFO and Foundation Finance Committee, with approval by the Foundation Board of Directors.

It shall be the policy of the Foundation that the College CFO is responsible for liquidating all stock received by the Foundation within fifteen (15) business days of receipts (unless otherwise designated by the donor).

Gifts of real estate and chattel property shall be disposed of at sale and the proceeds directed to the endowment pool for the benefit of the programs consistent with the donor's original intent. The College CFO is responsible for property disposition.

IV. INVESTMENT PHILOSOPHY AND OBJECTIVES

The Committee will maintain an investment program for the Foundation which focuses on achieving the best returns possible over the long term within prudent and acceptable risk levels. This will be accomplished through goal setting and the establishment of an investment program which is well diversified among asset types, investment managers and investment strategies. Additionally, the investment objectives of the Foundation, in order of priority, are:

- To preserve and enhance (in real dollar terms) the principle of each endowed fund, and, at the same time, provide a dependable source of income for the needs of the Foundation.
- Obtain maximum returns within reasonable and acceptable levels of risk.
- The objectives shall be accomplished using a strategy and mix of equity, fixed income and cash investment.

V. RESPONSIBILITY AND AUTHORITY

The Directors have responsibility for the guidance, control and administration of the Foundation. Acting pursuant to its authority, it has delegated investment responsibility to the Committee. The Committee will submit a written report outlining the investment performance semi-annually to the Directors. Approval by the Directors is required for any change in investment philosophy.

The Directors and Committee shall act in a prudent manner to help ensure that all decisions are made in the best interest of the Foundation. If, at any time, there exists the possibility of a material conflict of interest that might impair the decision-making ability of a member, that member is to report the possible conflict to the Committee or the Foundation and shall abstain from all pertinent motions and discussions.

VI. ASSET ALLOCATION

Defining the optimal portfolio for the investment of the Foundation's assets is influenced and determined by (a) the time horizon available for investment; (b) the liquidity needs of the Foundation; (c) the risk tolerance of the Directors; (d) investment return expectations; and (e) Laws and Regulations that govern the "Prudent Investor Rule."

The Committee will review the investment portfolio mix (asset allocation) no less frequently than twice a year and determine the degree of consistency with long-term objectives and the then current market/economic conditions and will report semi-annually to the Directors on the progress of the investment program.

The asset allocation ranges for the investment program shall be as follows:

<u>Portfolio Asset Classification</u>	<u>Minimum</u>	<u>Maximum</u>
Domestic Equities Focus	30%	55%
International Equity Focus	5%	25%
Fixed Income and Cash & Cash Equivalents	40%	65%

Regardless of the allocation mix, no more than 60% of the portfolio will be in equities.

The allocation will be under review to determine whether the mix is optimal. The Committee will meet periodically to establish how total Foundation assets will be distributed among the different investment managers, if more than one manager is employed, and to assure that the asset mix is within the above-mentioned ranges. The Committee shall act within a reasonable period of time to evaluate any deviation from these ranges.

VII. GUIDELINES FOR INVESTMENTS

The following guidelines for investments state the preferences of the Directors with regard to acceptable investments for Foundation assets:

1. EQUITIES

The equity securities in which the funds may be invested include convertible issues, preferred stock, common stock and mutual funds. The equity securities held in the portfolio should be reasonably diversified across equity markets, industrial sectors and within industry groups and geographical regions.

- Generally, no single stock will represent more than 5% of the market value of the equity portion of the portfolio.
- Not more than 20% of the total equity asset class (valued at market) shall be held in any one-industry category as defined by the S&P 500 index classification.

2. FIXED INCOME

The fixed-income securities in which the funds may be invested include:

- U.S. Treasury or State securities
- Obligations of government-sponsored enterprises
- Federal Agency obligations
- Corporate bonds, notes and debentures
- Global Fixed Income

Fixed-income securities are to be selected and managed so as to secure an appropriate balance of quality, maturity and rates consistent with current economic conditions.

Fixed-income securities, other than convertible bonds, are to have a minimum quality rating at the time of purchase of Baa/BBB (as rated by Moody's Investors Services or Standard & Poor's) with the dollar value of the fixed-income portfolio, on average, having an overall quality rating of not less than A.

- Monitoring Procedure – The Foundation's Investment Manager will calculate and monitor the investment portfolio to assure the stated guidelines are adhered to and report their findings to the Foundation.

Generally, fixed-income securities will not exceed a 10-year maturity. For purpose of this determination, sinking plan issues or other issues subject to regular repayment of principal will be treated on the basis of their average remaining lifetime.

A Money Market (MM) account shall be established in an institution with proven high-quality credit ratings. The MM account is to be maintained at the minimum level that the College CFO considers necessary to meet foreseeable short-term liquidity requirements. The MM sweep account is to have check writing privilege accessed by the College CFO.

Monitoring Procedure: The Foundation Investment Manager will calculate and monitor the investment portfolio to assure stated guidelines are adhered to, and report their findings to the Finance Committee no less than annually.

VIII. INVESTMENT PERFORMANCE GOALS TO BE ACHIEVED BY INVESTMENT MANAGERS

The following investment performance goals have been established with the expectation that persons selected as investment managers of Foundation assets will provide recommendations to achieve the following goals based on a rolling 10-year average.

- 1) The goal for total return on the assets shall be to exceed the rate of inflation (Consumer Price Index) by the average annual spending distribution percent, plus management fees over time on an annualized basis.
- 2) The goal of the investment manager shall be to exceed the return of relevant blended indices.
- 3) Due to the inevitability of short-term market fluctuations, which may cause variation in investment performance, it is intended that the performance objectives will be over a market cycle.

IX. GUIDELINES FOR INVESTMENT MANAGER(S)

The following shall serve as the general guidelines provided by the Foundation Directors, which should be followed by each investment manager:

- 1) Investment managers shall be a bank, Investment Management Company or a Registered Investment Advisor under the Investment Advisors Act of 1940.
- 2) Securities transactions should be entered into on the basis of best execution, which normally means best realized price as long as risk of the investment is a major consideration in the decision.
- 3) In addition, the investment manager shall provide the voting direction submitted and written record of past voting practices, upon request.
- 4) The investment manager shall be held accountable on at least a quarterly basis (to provide a quarterly account detailing investment performance, activity and value) to the Finance Committee and should be prepared to meet with the Committee annually to review their performance and value of the assets entrusted to them.
- 5) Each managed portfolio must consider: Capital Appreciation, Liquidity and Risk.
- 6) Investment Restrictions
 - No individual holdings shall be invested in unregistered or restricted stock, options, future contracts, or other derivative instrument, or commodities including gold or currency futures. There shall be no investments in non-marketable securities.
 - All investments shall be restricted from margin trading or short selling.
 - No funds shall be invested in real estate and chattel property, except real estate mutual funds such as real estate investment trusts (REITS).

- Investment shall not be made in securities, which are of a purely speculative nature. If a mutual fund has any significant portion of its portfolio invested in speculative type of security, it should not be considered for investment.
 - Investments shall not be made in securities for the purpose of exercising control or management.
- 7) Investments shall be made solely in the interest of NSCC Foundation and shall be so diversified as to minimize risk of large losses.
 - 8) The investment manager shall immediately notify the College CFO in writing of any material change in its investment outlook, investment strategy (substantial asset allocation modifications), ownership, organizational structure, financial condition or senior personnel.
 - 9) The investment manager is encouraged to provide suggestions regarding appropriate adjustments to investment policies, objectives and investment performance review.
 - 10) Investment advisors will present their review of the portfolio biannually.

X. EVALUATION OF INVESTMENT MANAGER(S)

Investment managers will be reviewed on an ongoing basis and will be evaluated according to the following criteria:

- 1) Adherence to the philosophy and style, which was articulated by the investment manager to the Committee at the time, or subsequent to the time, the investment manager was retained.
- 2) Ability to meet or exceed the investment performance goals set out above.
- 3) Performance of investment manager.
- 4) Timeliness and accuracy of reporting.
- 5) Provide notice of any material changes in each manager's investment outlook, strategy and portfolio structure.
- 6) Notify the Committee of material changes in each firm's ownership, organizational structure, financial conditions, senior staffing and management.
- 7) An annual presentation by the Investment Manager covering marketing conditions, Foundation investment specifics and recommendation.

XI. INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital market expectations as established in this statement of investment policy, the Investment Committee plans to review the policy at least annually.

APPROVALS:

The Finance Committee of the College Foundation adopted this statement of investment policy on the 29th of May 2006.

Signature:

NSCC Foundation President

REVISION RECORD:

Rev.	Date	Description
Draft	4/7/08	Initial release for review
A	5/29/08	Approved
B	11/24/08	Changed allocation due to current financial market
C	6/14/12	Changes recommended by Finance Committee
D	7/25/13	Changes recommended by Finance Committee
E	7/24/14	Changes recommended by Finance Committee
F	7/23/15	Changes recommended by Finance committee
G	7/21/16	Changes recommended by Finance Committee

