NORTHWEST FLORIDA STATE COLLEGE FOUNDATION

BOARD POLICY: GP # 5.0

TITLE: INVESTMENT POLICY
DATE ADOPTED: 01/07/14
REVISIONS: 2/03/15, 6/1/16, 4/14/2017
SIGNATURE OF BOARD SECRETARY:

PURPOSE OF POLICY

To address the management of the Foundation's assets and investments.

Local Language

Finance and Investment Committee – Description of Responsibilities

The Investment Committee exists to provide oversight, policy and direction to the Foundation Board and staff in the areas of investment and management of foundation assets, both cash and non-cash. The committee is charged with ensuring a coordinated and consistent approach to all of the foundation's investment activities.

Activities

In fulfilling this purpose, the Finance and Investment committee is expected to:

a) Develop policies in the areas of cash and cash-equivalent asset investment and management.

b) Develop policies regarding the retention and management of non-cash assets.

c) When approved by the Board of Directors, serve as trustee, or retain specialists to serve as trustee, when the foundation is named as trustee by the donor.

d) Develop policies specifying when assets should be turned over to the college and when they should be retained by the foundation.

e) Develop special single-purpose subcommittees and advisory boards to evaluate, support and manage special foundation assets.

f) Select, retain, monitor the performance of, and change when necessary, cash and non-cash investment and asset managers, charitable trust and annuity managers and other specialists as needed.

g) Work with the Executive Committee and retained specialists to develop investment options for trusts and annuities.

h) At least on an annual basis, review the performance of all investments and decide whether changes are needed.

Authority

The Finance and Investment committee has the authority to:

a) Review and monitor the performance of investment managers, asset managers and trust and annuity managers, and retain or change them as necessary.

b) Invest or manage major cash and non-cash gifts that are accepted by the foundation.

c) Retain specialists as needed and as budgeted.

d) In conjunction with the Executive Committee, establish the level of reserves.

The Finance and Investment committee will recommend to the Board of Directors approval of foundation policies developed by the committee.

Investment Philosophy

The foundation's investment philosophy is based on a disciplined and consistent approach that accommodates the occurrence of events considered reasonable and probable. Extreme position and opportunistic styles are not consistent with this philosophy. The mission and focus of the foundation is long-term in nature; consequently the investment of the foundation's assets should have a long-term focus.

Investment Objective

To earn long-term returns that match or exceed the benefit obligations of the Foundation to pay out 4 percent of its value each year (in addition to an administrative fee) and to provide for asset growth of a rate in excess of the rate of inflation.

The foundation's goal is to reduce risk by investing in a diversified portfolio of financial assets, primarily in stock funds, bonds, or bond funds and cash equivalents. The foundation will diversify between asset classes to reduce risk and volatility within acceptable limits. Investments will continue to be diversified unless the circumstances clearly dictate that it is imprudent to do so.

To achieve investment results over the long-term that compare favorably with those of other foundation and of appropriate market indices.

The foundation understands that all investments carry market risk, even those with U. S. Government "guarantees."

The foundation clearly has no desire or ability to engage in "market timing," nor does it expect our investment managers to do so. As defined, "market timing" is attempting to guess the short-term direction of the stock market and moving completely into or out of the market based on technical indicators and/or valuation models.

Investment Management

The Finance and Investment Committee generally will not directly manage any portion of the foundation's assets. Except those assets that cannot be disposed of because of donor restrictions or marketability and that are not liquid or able to be economically managed by external managers. The committee has the authority to retain specialists as necessary to assist it in evaluating investment and asset management options and strategies.

The Finance and Investment Committee is authorized to select investment managers to invest and manage the assets of the foundation. Investment managers shall be selected from established and financially sound organizations that have a proven and demonstrated record in managing similar funds or assets. Selection of managers will depend upon factors established by the Finance and Investment Committee and will be consistent with the foundation's investment philosophy and objectives, donor restrictions, and such federal and state restrictions as may be applicable.

If a financial institution voluntarily transfers a fund to the foundation, the Finance and Investment Committee will give that institution consideration as manager of that fund and any matching funds the transfer may generate. The institution must be able to manage the funds in accordance with the philosophy and objectives of the foundation and produce results consistent with the foundation's other managers.

Asset Allocation Strategy

This is the core of the investment policy. The asset allocation strategy describes the permitted asset classes, including ranges within which the marked values may vary.

The foundation adopts the following allocation. This will generally be followed, with annual reviews by the Finance and Investment Committee.

NWFSC FOUNDATION ASSET INVESTMENT ALLOCATION					
Investment Grade		DEFAULT TARGET	TACTICAL TARGET RANGES	MAXIMUM & MINIMUM RANGE	BENCHMARKS
	Large Cap Gwth	12%	10%-20%	10%-25%	Russell 1000 Gwth
	Large Cap Value	12%	10%-20%	10%-25%	Russell 1000 Value
	Mid Cap Gwth	6%	2%-10%	0%-12%	Russell Midcap Gwth
	Small Cap Gwth	4%	1%-7%	0%-10%	Russell 2000 Gwth
	Mid Cap Value	6%	2%-10%	0%-12%	Russell Midcap Value
	Small Cap Value	4%	1%-7%	0%-10%	Russell 2000 Value
	Int'l Develop Mkts	8%	3%-15%	0%-20%	MSCI EAFE
	Int'l Emerging Mkts	3%	0%-8%	0%-20%	MSCI Emerging Mkt.
TOTAL EQUITY		55%	45% - 65%		
FIXED INCOME	Primarily Investment Grade	30%	25% - 45%		ML VS CORP & GOV'T 1-10 YRS
ALTERNATIVE INVESTMENTS		10%	5% - 15%		
CASH & CASH EQUIVELENTS		5%	2% - 8%		
TOTAL INVESTMENTS Revised 5/11					

The policy of the foundation will be to rebalance the asset classes annually unless otherwise determined by the Board.

Managers will be terminated if it is determined that their style, performance, or risk and volatility is not consistent with the foundation’s expectations. The foundation retains the right to terminate a manager at any time and for any reason.

Performance will be evaluated over long-term periods against return expectations used in the allocation process. Individual managers will be judged against their own peer group or appropriate benchmark or indices. Over a trailing three- to five-year period or market cycle (whichever is greater), individual managers are expected to outperform their benchmark and perform within the top one-third of same style peers. Overall foundation performance will be compared against institutions with similar objectives. Performance will be judged net of any fees paid.

Investment performance will be reviewed on an as-needed basis. This will normally be once per calendar quarter but not less than annually. Investment managers will report their performance to the foundation and its designated agents in a timely fashion each quarter. Raw data on returns will be made available monthly to the Finance and Investment Committee.

Investment Constraints

The Investment Committee desires to give investment and asset managers the flexibility their styles and strategies may need, but as fiduciaries, must require a measure of conservatism consistent with prudent investment practices. The following constraints are expressed for general guidance. Specific contracts with managers should contain these general guidelines and any additional ones the Investment Committee and the manager consider appropriate. These guidelines will be reviewed and updated by the committee from time to time.

For the foundation's total portfolio, common stocks should be primarily in seasoned, quality, well-managed and highly marketable companies whose prospects appear good for growth of earnings, dividends and appreciation. No more than 4 percent of the funds may be invested in any one stock, no more than 30 percent in any one industry, and the foundation should not control more than 10 percent of the stock in any one company. An appropriate portion of the investments may be in international and small capitalization companies. Managers should not margin, sell short, buy or sell options (except covered options.)

The Investment Committee may select specific investment managers for such specialties as small cap or international and may develop specific investment guidelines appropriate to their styles and objectives, so long as the objectives and philosophy meet the foundation's overall objectives and philosophy.

For the foundation's total portfolio, fixed income securities should be primarily of the four highest bond ratings or the two highest commercial paper ratings. No more than 4 percent of the funds may be invested in any one security, no more than 30 percent in any one industry, and the foundation should not control more than 10 percent of the debt in any one company. These restrictions do not apply to obligations of the federal government.

Within an investment portfolio, the overall allocation of assets between equity and fixed income securities shall be determined by the investment manager. The determination should be based on the relative attractiveness of each asset class in light of the investment and economic outlook as determined by the investment manager. The overall allocation of the foundation's assets must still comply with this Investment Policy.

Investment managers are permitted to hedge non-U.S. dollar investments under their management as long as the methods used do not place the investments in a leveraged position, use investment securities purchased on margin, or result in open-hedge positions. Investment managers will include all hedging activities in their quarterly reports to the committee.

Additional Title III Constraints

The U. S. Department of Education has the following additional restrictions on Title III grant funds held by the foundation:

a) Managers may invest in such savings accounts, money market funds, certificates of deposit, mutual funds, stocks or bonds as an insurance company in the State of Florida may invest.

b) No more than 15 percent of the funds may be invested in preferred stocks.

c) No more than 5 percent of the funds may be invested in Canadian securities.

d) No more than 20 percent of the funds may be invested in securities that are below investment grade as determined by Moody's or Standard & Poor's.

e) Savings or share accounts must be insured by the FDIC, the NCUA, or similar types of insurance.

SHORT-TERM FUNDS

Short-term funds handled by foundation staff prior to investment or disbursement should be invested in instruments designed to maintain a high degree of liquidity while maximizing current income without assuming undue risk. The following instruments may be used for such short-term funds:

a) Obligations of the U. S government (U. S. treasury bills, notes and bonds.)

b) Obligations of agencies of the U. S. government or other agencies with implied federal sponsorship and guarantees (GNMA, FNMA, and FreddieMac.)

c) Certificates of deposit issued by banks that do not exceed the amount of principal and interest insured by FDIC or another federal insurance agency.

d) Banker's acceptances issued by banks that are FDIC insured.

e) Repurchase agreements collateralized by 1 or 2 above, but only with dealers or banks where proper segregation of the collateral exists.

f) Money market and government security mutual funds whose holdings consist of 1 or 2 above.

g) At least 50 percent of these short-term funds shall be invested in instruments having maturities not greater than two years. No more than 25 percent may be invested in instruments that have maturities no greater than five years, and no more than 25 percent may be invested in instruments that have maturities greater than five years.

Disposition of Total Return
Total return (earnings plus appreciation) shall be credited to and retained in the fund that generated the total return, until distributed in accordance with the foundation's distribution policies.

Spending Policy
The foundation is committed to protecting and enhancing its endowment funds through financial planning that promotes growth and protects the endowment funds in periods of market decline. Investment returns should equal or exceed the sum of expenditures plus inflation. A share of investment returns will be allocated to individual budget program areas.

a) The allocation rate is calculated as a percentage, not to exceed 4%, of the three-year rolling average of the endowment's market value at fiscal year-end. Newly established endowments (those without a three-year rolling average) will be averaged on the fiscal year-end balances available. Endowments with a fair market value below the endowment's corpus will receive no spending allocation. The policy will allow for greater predictability of expenditures for budgeting purposes and for gradual steady growth of investable assets.

b) In the event situations arise that require a higher percentage of expenditures in order to assure the short term economic health of the foundation, the Board of Directors of the foundation may authorize, as necessary, an increase in current expenditures based on clearly justifiable causes and with a definite date to which the existing policy must be re-instituted.

c) Non-endowed funds shall be expended as intended by the donor.

Donor-Directed Investment Authority and Evaluation
The foundation is authorized to accept gifts through irrevocable trusts in which the donor stipulates the selection of an investment manager as a provision in making the gift. In such donor-directed gifts, the investment manager shall attempt to adhere to the foundation's investment policy and shall provide quarterly reports on the performance of the donor-directed investments.

Appointment as Trustee
When the foundation is named as trustee, the Finance and Investment Committee will be responsible for obtaining professional services to manage the trust, making certain that the trust requirements are adhered to, meeting with the manager at least annually, monitoring the manager's performance, and making certain that the required reports and tax returns are completed. The committee will work with retained specialists to develop investment options for trusts and annuities.

Corporate Citizenship
The Finance and Investment Committee recognizes its responsibility as a stockholder to encourage corporate citizenship and corporate growth in the companies whose shares are owned or controlled by the foundation. Continuing performance of social responsibilities by the corporate management should be encouraged through proxy votes or by other appropriate action based upon information available to the committee. The committee may from time to time impose constraints on its managers for social policy reasons.

Gifts of Equipment
When the foundation receives gifts of equipment that can be used by the college, the equipment will be transferred immediately to the college unless there are donor restrictions that preclude the transfer, or unless there is expected to be significant residual value in the equipment when the college is finished using it. If there are donor restrictions or significant residual value, the foundation will keep the equipment on its books and depreciate it in accordance with generally accepted accounting principles. Residual value recovered by the foundation from the sale of such equipment will be credited to the department or fund that benefited from the use of the equipment.

Credit Risk
The NWF State College Foundation will address investment Custodial Credit Risk by permitting brokers that obtained investments for the NWF State College Foundation to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) and excess SIPC coverage available. Securities purchased that exceed available SIPC coverages shall be transferred to the Foundation's custodian.

Subcommittees
The committee is authorized to form special single purpose subcommittees and advisory boards to evaluate, support and manage special foundation assets. Members of the subcommittees do not have to be Board members, but it is the committee's responsibility to oversee the activities of the subcommittees and advisory boards and ensure compliance with foundation and college policies.