2018

Investment Policy Statement for York College Foundation Investment Portfolio

AUDIT & FINANCE COMMITTEE

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A. Purpose & Objectives

This Investment Policy Statement ("the Policy") set forth the York College Foundation ("the Foundation") investment objectives and implementation guidelines with respect to the financial resources in support of the Foundation's mission, as well as to define the duties and responsibilities of the various entities involved in the investment process, managing and monitoring.

The Policy aims to create a framework for the construction and implementation of an Investment Portfolio ("the Portfolio") through the use of Investment Advisor(s) or Investment Manager(s) with oversight provided by the Board of Trustees ("the Board"), delegated to the Finance and Audit Committee ("the Committee") of the Foundation. The goal is to create, over time, a diversified portfolio across strategies, sub-asset classes, geographies and industries designed to achieve spending plus inflation long-term return for the Foundation.

The Board reserves the right to amend the Policy at any time and for any reason – including retroactively, and may deviate from the Policy where it deems appropriate and in the best interests of the Foundation.

B. Mission Statement of the Foundation

To support and advance the activities and mission of York College in the pursuit of excellence in its academic, cultural, research and public service programs, and to promote and encourage interest and support for those programs and activities by members of the college and local community and alumni, as well as to serve as a medium for encouraging fuller understanding of the aims and functions of the College.

C. Roles and Responsibilities

In carrying out their various responsibilities, the members of the Board as well as the Committee and external agents shall comply with the duties of loyalty and care, which require each such person to act in what he or she believes is the best interest of the Foundation and in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. The members of the Board shall be bound by the Code of Conduct and Conflict of Interest Policies.

Board of Trustees

The Board serves as stewards of the Portfolio and is responsible for approving the Policy and all amendments thereto and for approving the selection of the Investment Advisor(s) ('the Advisor"). The Board hereby delegates all day-today responsibilities relating to the management of the Portfolio to the Committee which serve as fiduciaries on behalf of the Board.

Audit and Finance Committee

The Committee shall provide broad oversight of the Portfolio, including monthly, quarterly and annual reviews. The Committee shall be responsible for the total investment program and will provide prudent oversight of the Portfolio in order to further the goals and mission of York College Foundation and broadly in compliance with the New York Management of Institutional Funds Act ("NYPMIFA"). Responsibilities shall include:

- Developing objectives and strategies for the Portfolio consistent with the Policy and with the prudence factors and principles laid out;
- Setting an asset allocation, consistent with the investment strategy;
- Meeting at least quarterly to review and evaluate asset allocation, current investment results, various risk factors and to identify areas of improvement and/or correction; and
- Reporting regularly to the Board on investment policy, asset allocation and performance of the Portfolio as well as other substantive matters.
- When determining the asset allocation for the Foundation's portfolio the Committee will consider the following factors (a) general economic conditions; (b) the possible effects of inflation or deflation; (c) the expected tax consequences, if any, of investment decision or strategies; (d) the role that each investment or course of action plays within the overall investment portfolio; (e) the expected total return from income and the appreciation of investments; (f) other resources of the Foundation; (g) the needs of the Foundation and the individual institutional funds to make distributions and to preserve capital.

A majority of the entire committee shall constitute a quorum for thr transaction of business at any meeting. The act of the majority of the committee shall be the act of the committee.

The Committee may delegate certain investment responsibilities to the Executive Director, is staff or external agents such as the Advisor. Such delegation must be conducted in a prudent manner and in good faith and requires at a minimum:

- Clear definition of the scope and terms of the delegation and assessment of the reasonableness of the fees charged by the agent;
- Proper due diligence including assessment of the agents' independence and potential conflicts of interest;
- Subsequent monitoring of the delegated areas including reasonable efforts to verify accuracy of information provided by the agents;
- Contracts with external agents must specify that (i) they can be terminated without penalty by the Board with no more than 60 days' notice and (ii) the external agent owes a duty to the Foundation to exercise reasonable care, skill and caution to comply with the scope and terms of the delegation;
- Provide revisions of the Policy objectives and guidelines;
- Review and discuss any modifications and changes to the investment objectives, goals and guidelines;
- Identify any significant anticipated changes in cash flows;
- Evaluate the risk, liquidity and portfolio characteristics of all assets on a combined level; and
- Provide information relating to any other matters that may bear upon any assets.

Investment Advisor

The Advisor means the entity to which the Board has delegated overall investment responsibility and shall provide assistance, as requested, on the development, implementation, and ongoing proactive advice on the investment guidelines consistent with the prudent oversight of the Portfolio and shall:

- The Advisor will manage the portfolio on a discretionary basis. Advise the Board on matters relating to the design, construction and implementation of the Portfolio, including performance measurement benchmarks and the allocation of assets;
- Implement the Portfolio consistent with the guidelines set out in the Policy and the asset allocation targets and ranges in Attachment A hereto;
- Screen, hire, supervise, monitor, evaluate and replace funds or other investment vehicles;
- Periodically rebalance assets with the Portfolio to maintain asset allocation targets, within guidelines;
- Measure and report performance of portfolios and investment managers;
- Meet quarterly with the Committee to evaluate performance, portfolio characteristics, outlook for the investment markets and adherence to the Policy guidelines;
- Provide monthly, quarterly and annual statements, asset valuations, and transaction listings; and
- A summary of all current-year activity

Duty to Inform – The Advisor shall be required to inform the Board as soon as possible if a deviation from guidelines is anticipated and seek approval. In addition, each the Advisor shall be required to inform the Board as soon as practicable of any significant change in firm ownership; acquisitions of other investment managers; changes to organizational structure; investigations or proceedings commenced by or subpoenas received from the SEC or any other regulatory or law enforcement agency; official notice of any disciplinary proceeding or litigation against the manager or any of its employees; departures of key professional personnel; fundamental changes in investment philosophy.

The Advisor shall be required to propose revisions to the guidelines at any time the existing guidelines would impede meeting the investment objectives established.

Best Execution - Except under unusual circumstances the Advisor shall be required to enter into all transactions on the basis of best execution, which means best realized net price. Turnover should be minimized consistent with the effective implementation of the strategy.

D. Investment Objectives & Performance Targets

a. The investment objective of the Portfolio is to provide continuous support to the operations of the Foundations through relatively predictable and stable annual spending, while at the same time preserving and enhancing the purchasing power of the Portfolio to meet future goals.

b. The long-term investment objectives of the Portfolio are to (1) attain an average annual real (inflation-adjusted) total return at least equal to 6.75% net of investment management fees, (2) outperform the Portfolio’s benchmark; and (3) outperform the median return of a pool of endowment funds with broadly similar investment objectives and policies both on an absolute and on a risk-adjusted basis.

E. Spend Policy

The Portfolio shall be managed according to the “total return” concept, which envisions the sources of spending as being from interest, dividends and capital gains. Except as otherwise provided in the Spending Policy set forth in the Appendix B of the Policy, decisions with respect to spending from the Portfolio shall be made by the Board.

F. Asset Allocation

a. The Committee believes the most effective way to establish an appropriate volatility level for the portfolio is through its asset allocation (i.e. stocks, bonds, alternative investments and cash). Long term investment return and volatility depend on the portfolio’s strategic asset allocation. In consultation with its investment consultant, a strategic asset allocation policy has been adopted which best balances the opportunity for achieving the investment return objectives as set forth in this policy with an appropriate volatility level.

b. The Foundation strongly believes in the long-term benefits of diversifying its portfolio into a number of different asset classes and investment strategies. While each asset class and strategy is carefully selected, the focus of the investment process is always on the overall portfolio.

c. To achieve the long-term benefits of a widely diversified portfolio, the Foundation has adopted strategic targets for each asset class that it utilizes. It expects that the portfolio weight for each asset class will remain within minimum and maximum percentages. The current strategic asset allocation including targets and acceptable ranges is outlined in Appendix A.

d. Within each asset class, the Foundation seeks to earn the most efficient rate of return possible (after investment expenses). Investments will be well diversified by investment style and strategy. Style/strategy diversification will increase the probability over three to five year time periods that the Foundation will achieve its investment goals and reduce volatility. The Foundation has adopted specific requirements and restrictions for each asset class

G. Asset Class Definitions/Guidelines

Domestic Equity

a. The domestic equity portfolio will be diversified according to economic sector, industry, number of holdings and other investment characteristics. However, it is recognized that any actively managed portfolio will not be as diversified as the market. To produce overall diversification, equity managers will be selected to employ different management strategies that together achieve the desired degree of diversification.

b. Short selling of securities is prohibited. This restriction does not apply to hedge fund managers.

c. Derivative instruments such as financial futures and options may not be used without the prior approval of the Committee. This restriction does not apply to the hedge fund managers.

d. A manager may only deviate from these guidelines with advance written permission of the Board.

International Equity

The following definitions may be used to distinguish between developed and emerging international securities.

International Developed Equity: Listed equity securities traded on developed non-U.S. markets. Developed markets are defined as those included in Morgan Stanley's EAFE index, plus Canada.

Emerging Markets Equity: Listed equity securities traded on emerging non-U.S. markets. Emerging markets are defined as any market that is not included in Morgan Stanley's EAFE index, or Canada.

All restrictions listed above for domestic equity, also applies to international equity with the following additions and modifications.

- Managers must hold securities in a minimum of six countries at all times.
- Currency exposure may only be hedged back to the US dollar. The decision to hedge is left to the manager's discretion. Derivative instruments may be used to achieve currency hedging.
- A manager may only deviate from these guidelines with advance written permission of the Board.

Fixed Income

a. The duration of an aggregate fixed income manager's portfolio should be within 80% and 120% of the duration of their market benchmark.

b. Allowable investments include Government Issued Debt, Agencies and Government-sponsored entities, corporate bonds, mortgage-backed and asset-backed securities, collateralized mortgage obligations, taxable municipal issues, as well as any other type of security included in a manager's stated performance benchmark with the exception of any type of security prohibited by this Policy.

c. Aggregate bond managers are expected to maintain an average quality rating for their portfolio that does not fall below an S&P rating of AA-. High Yield bond managers are expected to maintain an average quality rating for their portfolio that does not fall below an S&P rating of B-.

d. Derivative instruments may be utilized by a manager in order obtain more efficient exposure to a specific type of security. However, at no time, may derivative instruments be used to leverage the portfolio. In addition, it is expected that a manager will have thoroughly tested the behavior of the derivative instrument under a variety of market conditions before purchasing the security for the portfolio.

e. A manager may only deviate from these guidelines with advance written permission of the Board.

Alternative Investments

In order to enhance portfolio results, the Board may elect to invest in alternative investment strategies such as hedge funds, private equity, real estate, commodities and timber. These investments are made with the intention of raising portfolio returns, lowering total volatility, enhancing diversification, and/or hedging against inflation. In most cases, these investments will be implemented via limited partnerships. Therefore, restrictions are established by the offering documents for each partnership.

Short Term Funds

- The Foundation may elect to periodically hold short-term investments to maintain adequate liquidity. The average maturity will be 30-120 days.

- Dollars designated as short term investments may only be invested in:
    a. obligations of, or guaranteed by, the U.S. Government
    b. corporate bonds rated “A” or higher by Moody’s or S&P
    c. commercial paper rated Prime-3 or higher by Moody’s
    d. negotiable certificates of deposit, bankers’ acceptances and floating rate notes issued by U.S. chartered banks rated “A” by Fitch
    e. repurchase agreements secured by securities qualifying by the guidelines above
    f. money market funds from commercial banks and other major investment advisors containing securities qualifying by the guidelines above
    g. A manager may only deviate from these guidelines with advance written permission of the Board.

Liquidity

A minimum of [80%] of the Foundation's assets shall have a readily ascertainable market value. Alternative assets and other investments with lock up structures may be utilized for the balance of the portfolio but must have annual or quarterly liquidity.

H. Portfolio Monitoring and Rebalancing

Monitoring and Reporting

The Committee shall regularly review the Portfolio, and shall make such adjustments as deemed necessary to achieve the Foundation’s investment objectives.

The Portfolio shall be evaluated against the investment objectives to ensure that over a rolling one-, three-, five- and seven-year period, it outperforms in line with a) the real total return objectives set forth, b) the benchmark consisting of a mix of appropriate benchmarks for each of the major asset categories within the policy asset allocation at the target weights, and c) a peer group of comparable foundations.

The performance of each of the main components of the portfolio shall be measured against asset class-specific benchmarks, which will enable evaluation of the effectiveness of the implementation strategy used for that asset class.
The performance reporting shall be carried out in a manner and form that enables the Committee to clearly evaluate portfolio and manager performance, both on an absolute and on a risk-adjusted basis, as described above. The relevant benchmarks for each category will be incorporated in guidelines, as established by the Board.

Portfolio Rebalancing

The Portfolio shall be rebalanced back to its target weights to ensure that the asset allocation remains consistent with the guidelines. To manage transaction costs, balance the need for liquidity and reflect market conditions, rebalancing should be based on 1) the cash inflows and the need for cash outflows, or 2) rebalancing back to the target allocations should actual allocations move outside allowable ranges. The Board reserve the right to tactically underweight or overweight within the allowable ranges.

To the extent that the Foundation receives property and/or securities from donors or otherwise, decisions regarding the disposition or retention of the asset(s) must be made in a timely manner.

I. Investment Advisor(s) Selection

The Board reserve the right to hire and fire investment advisor(s) based on long-term performance or due to tactical or strategic changes in the Portfolio. The selection of an investment advisor should be based on selection criteria, approved by the Board, for various asset classes, that is aimed at fairly and rigorously evaluating prospective Investment Managers.

The Board shall strive to hire Advisors that are appropriate for the Portfolio's risk-return profile using industry best practices which include a thorough examination of the firm's organization, history, integrity, ownership structure and assets under management, the quality and stability of its key professionals and staff, the quality and consistency of its investment philosophy, strategy, decision-making process, its fit with the Portfolio's objectives, its performance metrics, its record of compliance and its fee structure.

J. Conflict of Interest Policy

Trustees who serve on the Committee are charged with the responsibility for recommendations and decisions, which in their judgement best serves the long-range interest and objectives of the Foundation. From time to time, the Committee may consider matters in which members of the Committee, or persons affiliated with or related to them, have a direct or indirect financial interest. In order to resolve any questions of conflict of interest, whether real or apparent, the Committee shall adopt the following procedures.

a. Members of the Committee shall disclose to the Committee any relevant facts which might give rise to a conflict of interest with the respect to any matter to be considered by the Committee.
b. Members so affected shall abstain from the Committee discussion and votes on any transactions and abstentions shall be recorded in the minutes of the meeting.
c. The affected members, if requested to do so, shall withdraw from the meeting during consideration of the relevant factors.
d. Members of the Committee may not be employed by firms managing investments for the Foundation.

K. Changes to the Investment Policy

This Policy shall be in force until modified in writing and approved by the Board of Trustees. The Committee will review this Policy at least annually to ensure continued appropriateness, but may propose revisions to it at any time it sees fit.

Appendix A – Asset Allocation

Asset Sub-Class	Policy Target	Policy Ranges
Equity		
Large Cap Growth		15% - 25%
Large Cap Value		15% - 25%
Small/Mid Cap Growth		5% - 10%
Small/Mid Cap Value		5% - 10%
International Equity		10% - 15%
Fixed Income		
Long Term Bond		5% - 15%
Intermediate Term Bond		5% - 10%
Short Term Bond		5% - 15%
Other		
Cash		5% - 10%
Other		0% - 5%

Portfolio Benchmarks

Asset Class	Benchmark	Allocation Target
Equity		
Fixed Income		

Appendix B – Spending Policy

The Foundation is a permanent institution. As a result, it has adopted stable long-term policies that increase the likelihood of achieving the investment objectives listed in the Introduction to this document. These policies begin with the Foundation Spending Policy. In order to supply the Foundation with a predictable level of funds a total return spending policy has been adopted.

The annual spending rate will be based upon the average market value of the Foundation's assets over the twelve quarters ended December 31 of the preceding year. The Committee will recommend, and the Board of Trustees will approve, the annual spending level from the Foundation. The annual spending rate will be 5% or less of the trailing twelve-quarter average market value, unless otherwise approved by the Board of Trustees.