BOT Investment Statement (Investment Policy)

ROWAN UNIVERSITY POLICY

Title: *BOT Investment Statement* (*Investment Policy)*
Subject: *Board of Trustees*
Policy No: *FIN: 2015:19*
Applies: *University-Wide*
Issuing Authority: *President*
Responsible Officer: *Senior Vice President for Finance and CFO*
Adopted: *06/10/2015*
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Last Reviewed: 0*8/29/2022*

I. PURPOSE

1. This Statement is set forth by the Rowan University Board of Trustees (the "BOT") in order to:
    a. Clearly define and assign the responsibilities of all involved parties.
    b. Clearly identify the goals, restrictions and requirements required by all involved parties regarding the investment and management of the University's Managed Assets.
    c. Establish a basis for evaluating investment results.

II. ACCOUNTABILITY

This Investment Policy Statement (the “IPS”) dictates the investment and management of the “Managed Assets” of Rowan University (the “University”).

III. APPLICABILITY

This policy applies to all Rowan University employees attending to the investment and management of the managed Assets of Rowan University.

IV. DEFINITIONS

1. Budget & Finance Committee means the standing Committee of the University Board of Trustees (the “BOT”).
2. Fiduciaries mean individuals that undertake an obligation to exercise prudence, responsibility and authority in making decisions in connection with managing the assets of the Foundation (or as further defined by applicable law).
3. Foundation means the Rowan University Foundation.
4. Investment Committee means the Committee of the Foundation Board of Directors that oversees the management of the investments of the Foundation.
5. Investment Policy Statement means this document.
6. Managed Assets means those assets, funds, or investments to be managed by the Foundation’s Investment Committee.
7. Money Manager / Investment Manager means an individual or organization employed to manage the investments of all or part of the Managed Assets. A Money Manager / Investment Manager can provide services in a variety of ways including separately managed funds, ETFs, etc.
8. Broker means an individual or organization that sells investments.

V. REFERENCE

1. Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted in New Jersey on March 9, 2009.

VI. POLICY

1. **Standards of Care**
   a. Ethics and Conflicts of Interest
      i. Board Members involved with the investment process shall refrain from personal business activity that may conflict with the proper execution of the investment program or impair their ability to make impartial investment decisions.
   b. Prudent Investor Standard
      i. The Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides the consistent fiduciary standard for charitable board members, officers, trustees, consultants, investment managers and all other parties involved in the stewardship of the investment assets of Rowan University.
      ii. In managing and investing the assets, the Investment Committee shall follow guidelines for the Managed Assets according to prudent standards established in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted in New Jersey on March 9, 2009. As fiduciaries, Rowan University Foundation Investment Committee will manage the investment of all funds with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
2. **Investment Objective and Strategies**
   a. The University's three primary investment objectives, in order of priority and importance, are:
      i. *Safety*: preservation of principal is the foremost objective;
      ii. *Liquidity*: investments shall be made for such periods, and in such investments, as to meet all liquidity needs of the University; and
      iii. *Return on investment*: within the constraints listed above, the Investment Committee should invest funds in a manner that maximizes investment return.
   b. These objectives are to be achieved through diversification of the Managed Assets in a coordinated portfolio, as described in this IPS, and by periodically rebalancing the portfolio, as further described in this IPS, to maintain the desired asset allocation.
3. **Asset Allocation**
   a. The following Managed Asset allocation mix should be followed by the Investment Committee and maintained by the Foundation's investment managers:

Short Term (less than one year)

	Asset Mix Policy			**Benchmarks**
	Minimum	**Target**	**Maximum**	
Fixed Income	100.0%	100.0%	100.0%	BOA/Merrill Lynch 6 month T-Bill

Intermediate Term (one to four years)

	Asset Mix Policy			**Benchmarks**
	Minimum	**Target**	**Maximum**	
Fixed Income	100.0%	100.0%	100.0%	Barclays 1-3 Year Aggregate Bond

Long Term (5-10 years)

	Asset Mix Policy			**Benchmarks**
	Minimum	**Target**	**Maximum**	
Equity				
U.S. Equity	10.0%	12.5%	15.0%	Russell 3000
International Equity	5.0%	7.5%	10.0%	MSCI ACWI Ex-US
Total	**15.0%**	**20.0%**	**25.0%**	
Fixed Income				
Fixed-Income	75.0%	80.0%	85.0%	Barclays 1-3 Year Aggregate
Total	**75.0%**	**80.0%**	**85.0%**	
Total	**100%**			80% Barclays 1-3 Year Aggregate 12.5% Russell 3000 7.5% MSCI ACWI Ex-US

Quasi Endowment (10+ years)

	Asset Mix Policy			Benchmarks
	Minimum	**Target**	**Maximum**	
Equity				
U.S. Equity	32.5%	37.5%	42.5%	Russell 3000
International Equity	17.5%	22.5%	27.5%	MSCI ACWI Ex-US
Total	**50.0%**	**60.0%**	**70.0%**	
Fixed Income				
Fixed-Income	30.0%	40.0%	50.0%	Barclays 1-3 Year Aggregate
Total	**30.0%**	**40.0%**	**50.0%**	
Total	**100%**			40% Barclays 1-3 Year Aggregate 37.5% Russell 3000 22.5% MSCI ACWI Ex-US

4. **Rebalancing**
    a. It is acknowledged and understood that different asset classes perform differently during any given period. To compensate for such drift, the portfolio will be reviewed periodically to identify rebalancing opportunities.
    b. If the Investment Committee determines that rebalancing is necessary, the Committee may re-direct assets from one or more Investment Managers to other Investment Managers as it deems appropriate, and/or direct each Investment Manager to re-balance the assets its manages. The Senior Vice President for Finance and Chief Financial Officer will periodically advise the Investment Committee and Associate Vice President for Advancement and Executive Director of the Foundation on the desired mix between short, intermediate and long term asset classes.

5. **Additional Guidelines for Managing Asset**
    a. Short term fixed income may consist of:
        i. U.S. Treasury Bills
        ii. Federally insured certificates of deposits that mature in 1 year or less
        iii. Federally insured demand deposits
        iv. Money Market Funds that invest exclusively in U.S. Treasury Securities
        v. Commercial paper, each with maturity of 1 year or less that is rated "A1/P1" or higher by at least one of the major rating agencies. If unrated, it must be considered by the Investment Manager to be equivalent to an "A1/P1" rating.
        vi. Corporate bonds, each with a maturity of 1 year or less that are rated investment grade by at least one of the major bond rating agencies.
        vii. Municipal bonds, each with a maturity of 1 year or less that are rated investment grade by at least one of the major rating agencies.

viii. Asset-backed securities, mortgage-backed securities, commercial mortgage-backed securities that have a duration of less than 1 year that are rated investment grade by a least one of the major rating agencies.

b. Investment Grade Bonds, American Depositary Receipts, open-end mutual funds, closed-end mutual funds, exchange-traded funds and separately managed accounts are permissible investments for the Long Term Portfolio and for the Intermediate Term Portfolio, to the extent such investments are limited to fixed income investments. Investment Grade bonds are defined as those rated by at least one rating agency as "Baa3/BBB-" or higher. For securities that are split-rated, the higher rating shall apply (i.e. A-/Baa1 bond would be considered an A- rated security).

c. Except for government and agency obligations, each fixed income manager's portfolio shall contain no more than 10% of any single issue, at cost. In addition, except for government and agency obligations, the total fixed income portfolio (Intermediate Term and Long Term) shall contain no more than 5% of any single issue, at cost. For structured securities, "issue" is defined as a discrete trust (ie: AMCAR 2013-1 is a different issue than AMCAR 2012-1).

d. Including all issues, the average weighted maturity of the total fixed income portfolio shall be maintained at a level not to exceed the benchmark index by more than 50%. Fixed income maturity for any one security should not be in excess of five (5) years and two weeks. Maturity shall mean the stated final maturity of the security, or the unconditional put option date if the security contains such a provision. Term or tenure shall mean the remaining time to maturity from the settlement date. For those securities which have reset dates or trade based on their average life, the reset date or average life will be used instead of the final maturity date for guideline purposes.

e. Including all issues, the average weighted duration of the total fixed income portfolio of each income manager shall be within +/- 30% of the comparative benchmark index's duration.

f. Individual equity holdings shall not exceed more than 5% of the market value of the total market value of the issuer.

g. There shall be a liquid, public market for each issue selected.

h. Investment Managers(s) may not directly engage in the following:

i. Use margin or otherwise borrow funds for the acquisition of any security.

ii. Invest in futures or options.

iii. Purchase real estate, oil and gas properties, or other natural resources related properties with the exception of marketable real estate securities, mutual funds or exchange-traded funds.

iv. Purchase investments in limited partnerships except for publicly traded Master Limited Partnerships.

v. Purchase investments based on material, non-public information.

vi. Invest in individual securities of issuers which the BOT in its sole discretion determines are engaged in businesses that are inconsistent with the mission of the Organization.

6. **Cash Distributions**

a. The Board will determine the schedule and amount of cash disbursements required from the portfolio.

VII. RESPONSIBILITIES

1. **Duties of the Board of Trustees**

a. The BOT's duties regarding the management of the University's investments include:

i. Developing and executing proper control procedures to assure compliance with this IPS.

ii. The BOT may assign these duties to a committee of the BOT or to the University's President, Senior Vice President for Finance and Chief Financial Officer or other executive, at its discretion. In such event, the responsible party shall report to the Board, which shall retain authority to grant final approval for all material actions pertaining to the Managed Assets.

iii. Reviewing this Statement at least annually and executing changes as deemed prudent and appropriate.

2. **Role of the Foundation**
    a. The University will use the Foundation and its Investment Committee to provide advice, expertise and oversight of the managed assets.

3. **Investment Committee**
    a. The Investment Committee shall, as more fully described herein, oversee the management of the Managed Assets via a set of asset allocation targets and ranges for the portfolio. In fulfilling its responsibilities under this IPS, the Investment Committee shall, among other activities, hire and dismiss investment managers, agents and other advisors.
    b. The Investment Committee is authorized to make investment decisions and oversee the investment activities relating to the Managed Assets consistent with this policy.
    c. The Investment Committee will:
        i. Comply with the Standards of Care included in this IPS.
        ii. Determine the Asset Allocation of the assets, acting within the parameters of this IPS.
        iii. Provide specific guidelines for the investment of assets.
        iv. Establish separate accounts with appropriate Investment Managers and custodians to facilitate the buying, selling and maintenance of the University's Managed Assets within the guidelines established in this IPS.
        v. Oversee the assets and review investment performance, in addition to monitoring the IPS.
        vi. Review and, where possible, control investment expenses. All expenses must be customary and reasonable, and will be borne by the portfolio as deemed appropriate and necessary.
        vii. Provide investment monitoring reports on a quarterly basis and at other times as directed by the Budget and Finance Committee. The Executive Director of the Foundation shall be responsible to the Investment Committee for maintaining detailed records of all invested funds and for carrying out the investment policies and procedures established by the Investment Committee.
        viii. Inform the BOT of any material change in its investment management process, including but not limited to changes in personnel, structure, fees, services or investment philosophy.
        ix. Review this IPS, along with those retained to assist the Investment Committee, recommending changes to the Budget and Finance Committee.
        x. Utilize the services of a broker that sells fixed income investments for the purposes of creating a "laddered" portfolio of bonds, if it deems such to be prudent and advisable.
        xi. The Investment Committee will insure that any of its Separate Account Money Managers /Investment Managers will maintain errors and omissions liability insurance coverage, bonding, capital or other requirements as stipulated and in amounts satisfactory to the Investment Committee, and documenting to the BOT at least annually that these requirements are satisfied.

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