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- I. TITLE:** Statement of Investment Policies, Alabama State University Pooled Endowment Funds
- II. POLICY STATEMENT:**
This policy establishes investment objectives, policies, guidelines and eligible securities related to all assets held by the Alabama State University Pooled Endowment Funds subject to review by the Board of Trustees of Alabama State University.
- III. SCOPE OF POLICY:**
See attached.
- IV. EFFECTIVE DATE:** This policy is effective upon official approval by the ASU Board of Trustees.
- V. AUDIENCE:**
See attached.
- VI. DESIGNATED RESPONSIBILITIES AND APPLICABILITY OF STATEMENT OF INVESTMENT POLICIES: ALABAMA STATE UNIVERSITY POOLED ENDOWMENT FUNDS POLICY:**
See attached.
- VII. POLICY MANAGEMENT**
- **Responsible Office(s):** Business and Finance
 - **Responsible Executive:** Vice President of Business and Finance
 - **Responsible Officer(s):** Vice President of Business and Finance
- VIII. DEFINITIONS:**
See attached.
- IX. PROCEDURES:**
See attached.

Document History
Approved by BOT: September 18, 2020

(July 23, 2019)

**ALABAMA STATE UNIVERSITY
Pooled Endowment Funds**

Statement of Investment Policies

Purpose

This policy establishes investment objectives, policies, guidelines and eligible securities related to all assets held by the Alabama State University Pooled Endowment Funds subject to review by the Board of Trustees of Alabama State University.

Delegation of Responsibilities:

The Board of Trustees has a direct oversight role regarding all decisions that impact the Pooled Endowment Funds. The Board has delegated supervisory responsibility for the management of our institutional funds to the Finance Committee of the Board of Trustees. Specific responsibilities of the various bodies and individuals responsible for the management of our Pooled Endowment Funds are set forth below:

Responsibility of the Board:

The Board will ensure that its fiduciary responsibilities concerning the proper management of the Pooled Endowment Funds are fulfilled through appropriate investment structure, internal and external management, and portfolio performance consistent with all policies and procedures and with the specific requirements of individual endowments included in these Pooled Endowment Funds. Within these guidelines, the Board of Trustees may assign the investment discretion of the Fund in whole or in part to professional investment managers.

The Finance Committee of the Board of Trustees will make a comprehensive report in writing to the Board of Trustees at least once a year or otherwise as requested. Based on the advice and recommendations of the Finance Committee of the Board of Trustees, the Board shall:

- select, appoint and remove members of the Committee.
- approve investment policies and objectives that reflect the long term investment-risk orientation of the Trust.

Responsibilities of the Finance Committee of the Board of Trustees:

Members of the Finance Committee of the Board of Trustees are not held accountable for less than desirable outcomes, rather for adherence to procedural prudence, or the process by which decisions are made in respect to Trust assets. In consideration of the forgoing, the Committee is

responsible for the development, recommendation, implementation and maintenance of all policies relative to Pooled Endowment Funds and shall:

- Develop and/or propose policy recommendations to the Board of Trustees with regard to the management of all Pooled Endowment Funds.
- Recommend long-term and short-term investment policies and objectives for our Pooled Endowment Funds, including the study and selection of asset classes, determining asset allocation ranges, and setting performance objectives
- Determine that Pooled Endowment Funds are prudently and effectively managed with the assistance of management and any necessary investment consultants and/or other outside professionals, if any.
- Monitor and evaluate the performance of all responsible for the management of Pooled Endowment Funds.
- Recommend the retention and/or dismissal of investment consultants and/or other outside professionals.
- Receive and review reports from management, investment consultants and/or other outside professionals, if any.
- Periodically meet with management, investment consultants and/or other outside professional management.
- Convene regularly to evaluate whether this policy, investment activities, risk management controls and processes continue to be consistent with meeting the goals and objectives set for the management of Pooled Endowment Funds.

Responsibilities of the Administration:

The University Vice President for Business & Finance shall be responsible for the day-to-day administration and implementation of policies established by the Board and/or the Finance Committee of the Board of Trustees concerning the management of Pooled Endowment Funds. The University Vice President for Business & Finance shall also be the primary liaison between any investment consultants and/or other outside professionals that may be retained to assist in the management of such funds. Specifically, the University Vice President for Business & Finance shall:

- Oversee the day-to-day operational investment activities of all Pooled Endowment Funds, including the liquidation of investments for the temporary support of Unrestricted Fund cash flow needs and the reinvestment of those funds, subject to policies established by the Board and/or the Finance Committee of the Board of Trustees.
- Contract with any necessary outside service providers, such as: investment consultants, investment managers, banks, and/or trust companies and/or any other necessary outside professional.
- Ensure that the service providers adhere to the terms and conditions of their contract; have no material conflicts of interest with the interests of the Board of Trustees and, performance monitoring systems are sufficient to provide the Finance Committee of the Board of Trustees with timely, accurate and useful information.
- Regularly meet with any outside service providers to evaluate and asset compliance with investment guidelines, performance, outlook and investment strategies; monitor asset allocation and rebalance assets, as directed by the Finance Committee of the Board of Trustees in accordance with approved asset allocation policies, among asset classes and investment styles; and tend to all other matters deemed to be consistent with the due diligence with respect to prudent management of trust funds.
- Comply with official accounting and auditing guidelines regarding due diligence and ongoing monitoring of investments, especially alternative investments. Prepare and issue periodic status reports to the Board and the Finance Committee of the Board of Trustees.

Investment Considerations:

In accordance with the Board of Trustees' understanding of the specific requirements of individual endowments included in the Pooled Endowment Funds, the Board and Finance Committee of the Board of Trustees must consider the purposes identified in the individual endowments included in the Pooled Endowment Funds, and our assets in managing and investing Trust funds. The responsibility of the Board of Trustees includes the prudent investment of the Trust's funds. All individuals responsible for managing and investing Trust funds must do so in good faith and with the care that an ordinary prudent person in a like position would exercise under similar circumstances. Prudent investment management, by definition, requires that investments will be evaluated on their own merits, employing various factors of consideration, including the social and ethical implications of the investments.

In making any decision relative to the expenditure of Trust funds, each of the following factors must be considered, and properly documented, in the minutes or other records of the applicable decision making body:

1. General economic conditions;
2. Possible effect of inflation or deflation;
3. Expected tax consequences, if any, of invest decision or strategies;
4. The role that each investment or course of action plays within the overall investment portfolio of the fund;
5. Expected total return from the income and appreciation of investments;
6. Other resources of the organization;
7. The needs of the organization and the fund to make distributions and preserve capital;
and,
8. An asset's special relationship or special value, if any, to the organization's purposes.

Expenditure Consideration

The Board of Trustees and the Finance Committee are responsible for compliance with the specific requirements of individual endowments included in the Pooled Endowment Funds, which specifically outlines the spending policy for each of the Pooled Endowment Funds. Clerical assistance and the maintenance of records necessary in the operation and maintenance of the Polled Endowment Funds shall be provided by the University through its staff and compensated by the University.

For each decision to appropriate Pooled Endowment Funds for expenditure, an appropriate contemporaneous record should be kept and maintained describing the nature and extent of the consideration that the Board of Trustees gave to each of the stipulated factors.

The definition of annual income shall include all dividend and interest income earned and all realized gains. Accumulated annual income may be utilized within the specific requirements of the individual endowments.

Investment Objectives:

The primary investment objectives are: (1) to maximize the total financial return on assets, using prudent management techniques and (2) to preserve the growth of principal in constant dollars so as to provide a consistent level of real growth of budgetary support from the Pooled Endowment Funds Fund. The Pooled Endowment Funds will be substantially enlarged by virtue of superior investment management and limitation of cash withdrawals.

Guidelines for Investing

The investment goal of the total return fund is to achieve a total return (income and appreciation) of 7% after inflation, over a full market cycle (3-5 years). The following guidelines apply to the three main investment asset classes:

Money Market Funds: Allowable range: Minimum 5%; Maximum 45% of total assets

A quality money market fund will be utilized for the liquidity needs of the portfolio whose objective is to seek as high a current income as is consistent with liquidity and stability of principal. The fund will invest "money market" instruments with remaining maturates of one year or less, that have been rated by at least one nationally recognized rating agency in the highest category for short-term debt securities. If non-rated, the securities must be of a comparable quality.

Equities: Allowable range: Minimum 20%; Maximum 60% of total assets

The equity component of the portfolio will consist of high-quality securities traded on the New York, NASDAQ or American Stock exchanges. The securities must be screened for above average financial characteristics such as price-to-earnings, return-on-equity, debt-to-capital ratios, etc.

No more than 5% of the equity portion of the account will be invested in any one issuer. As well, not more that 20% of the equity portion of the account will be invested in stocks contained within the same industry.

It is acceptable to invest in an equity mutual fund(s) adhering to the investment characteristics identified above, as long as it is a no-load fund, without 12(b)(1) charges, which maintains an expense ratio consistent with those of other funds of similar investment styles as measured by the Lipper and/or Morning Star rating services.

Prohibited equity investments include: initial public offerings, restricted securities, private placements, derivatives, options, futures and margined transactions.

Exceptions to the prohibited investment policy may be made only when assets are invested in a Mutual Fund(s) that periodically utilizes prohibited strategies to mitigate risk and enhance return.

Fixed Income: Allowable range – Minimum 35%; Maximum 75% of total assets

Bond investments will consist solely of taxable, fixed income securities that have an investment– grade rating (BBB or higher by Standard & Poor’s and Baa or higher by Moody’s) that possess a liquid secondary market. If the average credit quality rating disagrees among the two rating agencies, then use the lower of the two as a guideline.

No more than 5% of the fixed income portfolio will be invested in corporate bonds of the same issuer. As well, not more than 20% of the fixed income portfolio will be invested in bonds of issuers in the same industry.

The maximum *average maturity* of the fixed income portfolio will be 10 years, with no more than 25% of the bond portfolio maturing in more than 10 years.

Prohibited securities include: private placements, derivatives (other than floating-rate coupon books), margined transactions and foreign denominated bonds.

Exceptions to the prohibited investment policy may be made only when assets are invested in a Mutual Fund(s) that periodically utilizes prohibited strategies to mitigate risk and enhance return

Performance Measurement Standards

The benchmarks to be used in evaluating the performance of the two main asset classes will be:

- **Equities:** *S&P 500 Index*- Goal: exceed the average annual return of the index over a full market cycle (3-5 Years)
- **Fixed Income:** *Lehman Brothers Government/Corporate Index*- Goal: exceed the average annual return of the index over a full market cycle (3-5 years)

It will be the responsibility of the Finance Committee of the Board of Trustees to regularly review the performance of the investment account and investment policy guidelines, and report to the Board of Trustees at least quarterly with updates and recommendations as needed.

General Rule:

- Custodial responsibility for all securities will be determined by the Finance Committee

- On a continuing basis, the Vice President for Finance and Chief Financial Officer, through the President, will monitor activity in the Fund to insure that there is compliance with the Statement of Investment Policy and Objectives, and will report such findings to the Finance Committee at least quarterly and to the Board of Trustees upon request.
- Any exception to this policy shall be recommended by the Finance Committee and approved by a majority of the members of the Board of Trustees at a regularly scheduled meeting.