

# Shawnee State University

SUBJECT: INVESTMENT POLICY	POLICY NO.:	1.05 Rev.
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	EFFECTIVE DATE:	11-18-11
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	RECOMMENDED BY:	Investment Com't.
	APPROVED BY:	Board of Trustees

Effective beginning July 1, 2002, The Shawnee State University Board of Trustees has title to University investments and these funds are held in trust. The investments are to be made consistent with this investment policy as stipulated below.

All fiduciaries implementing this investment policy are required to discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

**THE FOLLOWING APPLIES TO INVESTMENTS OTHER THAN THOSE IN THE ALTERNATIVE INVESTMENT ASSET CLASS. ALTERNATIVE INVESTMENTS ARE ADDRESSED IN 9.0 BELOW.**

Investments are to be made only in publicly traded securities averaging at least twenty-five percent of the average amount of the investment portfolio over the course of the previous fiscal year invested in securities of the United States Government or of its agencies or instrumentalities, the treasure of state's pooled investment program, obligation of this state or any political subdivision of this state, certificates of deposit of any national bank located in this state, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank, money market funds, or bankers acceptances maturing in two hundred seventy days or less which are eligible for purchase by the federal reserve system, as a reserve.

Effective beginning July 1, 2002, the Shawnee State University Investment Committee is established.

1.0 Membership and term of each member on this Investment Committee follows:

1.1 Chair: A member of the Board of Trustees Finance and Administration Committee as appointed by the Chair, Shawnee State University Board of Trustees. Term: A fiscal year appointment, renewable, at the discretion of the Chair, Shawnee State University Board of Trustees.

- 1.2 Member: The Shawnee State University Vice President for Finance and Administration or delegate.
- 1.3 Members: Three members nominated by the Chair, SSU Board of Trustees and approved by the Shawnee State University Board of Trustees. Term: Initial appointments of one, two and three years respectively. Thereafter, appointments are for three fiscal years or parts thereof.

2.0 The Investment Committee shall meet at least quarterly.

3.0 The Investment Committee shall review and recommend revision to this investment policy and shall advise the Shawnee State University Board of Trustees through its Finance and Administration Committee on its investments.

4.0 The Investment Committee is authorized to retain an investment advisor that meets the credential criteria as outlined in law.

5.0 Each Investment Committee member must sign an agreement indicating that they will avoid conflicts of interest in performing their duties as committee members.

#### 6.0 INVESTMENT OBJECTIVES:

The primary objectives of the University's investment activities shall be:

- 6.1 Safety: Assets of the University shall be undertaken in a manner that diversifies its investments mitigating the magnitude of potential capital loss inherent in investment risk.
- 6.2 Return on Investment: To have, over-time, return net-of-fees that at least equals common indexes in capital markets in which the University's assets are invested.

#### 7.0 INVESTMENT ALLOCATION:

Liquid pool and diversified investment pool are established.

- 7.1 The liquid pool investments can only be made in money market funds, the treasurer of the state's pooled investment program (STAR Ohio), securities, including discount notes of the United States Government or of its agencies or of its instrumentalities. A minimum of 25% of the prior fiscal year's average investment portfolio will be housed in the liquid investment pool. The actual percentage may be higher than this figure dependent upon anticipated cash flow needs with some buffer for unanticipated needs as determined by the Shawnee State University Finance Office. The administration of this pool is to remain with the Shawnee State University Finance Office as an agent of the Investment Committee. Returns will be reported quarterly to the Investment Committee, in-turn to the Board of Trustees.

- 7.2 The diversified investment pool will be invested in publicly traded securities with the following ranges of asset allocation within that pool:

		<u>Range</u>
7.21	Equities	50% +/- 10%
	Fixed Income/Bonds	50% +/- 10%
	Total*	100%

\*Including as a percentage of the total portfolio up to:

15% International Securities

15% Alternative Investments

- 7.22 Two investment managers will manage the diversified investment pool's assets, investing in pooled mutual funds only (except for alternative investments).

- 7.23 The Vice President for Finance and Administration or delegate has authority to allocate funds between these pools.

## 8.0 FURTHER DIVERSIFICATION AND INVESTMENT QUALITY, DIVERSIFIED INVESTMENT POOL

- 8.1 No more than 5% of each investment manager's portfolio can be invested in any single issue except U.S. government securities.
- 8.2 Investment in fixed income securities shall be limited to government and agency issues and other issues in the top four quality ratings of recognized credit services. Other than for alternative investments (see 9.0 below), prohibited investments include bonds rated below investment grade and derivatives which comprise a substantial part of an investment fund. Again, other than for alternative investments, investments are prohibited in: the purchase or sale of futures or options for speculation or leverage, purchase or sale of commodities, commodity contracts, or illiquid interest in real estate or mortgages.

## 9.0 ALTERNATIVE INVESTMENTS

Inclusion of alternative investments has the effect of improving the return versus risk outlook of the portfolio, over time. Alternative investment categories include: Hedge Funds, Private Equity/Venture Capital, Real Estate, Commodities and High Yield Bonds. Certain alternative investments invest in assets with limited liquidity and may also use derivatives such as futures and/or options to achieve their objectives. Accordingly, some of these alternative investment vehicles themselves may have limited liquidity. Additionally, some alternative investment vehicles may invest in fixed income investments with below investment grade (not in the top four quality ratings of recognized credit services) bond ratings.

## 10.0 MARKET BENCHMARKS

- 10.1 Given short-term market fluctuations, it is intended investment manager(s) will achieve the following performance objectives over a 5-year moving period, net of investment fees. It is understood that performance evaluation will occur in shorter intervals, the results of which may cause the Investment Committee to make an investment manager change.
- 10.2 Liquid pool, return will exceed the 3-month U.S. Treasury bills return.  
Diversified investment pool, return will exceed a balanced index composed of: 30% S&P 500 Index, 6% S&P Mid Cap 400 Index, 4% S&P Small Cap 600 Index , 10% EAFE Index, 50% Lehman Brothers Aggregate Bond Index.

## 11.0 EVALUATION OF INVESTMENT MANAGERS

Investment managers will be reviewed quarterly based upon the following criteria:

- 11.1 Ability to exceed the performance objectives stated in this policy.
- 11.2 Adherence to the philosophy and style that were articulated to the Investment Committee at, or subsequent to, the time an investment manager was retained.
- 11.3 Continuity of personnel and practices at the firm.

*Adopted June 14, 2002; Revised October 11, 2002, Revised April 22, 2005; Revised April 13, 2007, Revised November 18, 2011*