



**INVESTMENT & SPENDING  
POLICY STATEMENT**

**SOUTHERN REGIONAL TECHNICAL COLLEGE  
FOUNDATION**

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# **SOUTHERN REGIONAL TECHNICAL COLLEGE FOUNDATION INVESTMENT POLICY STATEMENT**

## **I. INTRODUCTION**

Southern Regional Technical College Foundation (“the Foundation”) is a nonprofit organization established and maintained as a 501(c)(3) organization in accordance with the Internal Revenue Code.

## **II. PURPOSE**

The purpose of this Investment Policy Statement (“IPS”) is to establish a clear understanding of the investment objectives and policies applicable to the Foundation’s endowment, quasi-endowment and operating reserve investments (the “Assets”). This IPS is not a contract but is intended to be a summary of an investment philosophy that provides guidance for the Foundation and appointed investment manager or managers (“Investment Manager”).

This IPS will:

- Outline the Foundation’s goals and provides the framework for a disciplined approach to investing;
- Establishes reasonable expectations, objectives and guidelines for the investment of the Assets;
- Set forth an investment structure detailing permitted asset classes and expected allocation among asset classes;
- Create a well-diversified asset mix that can be expected to generate acceptable long-term returns consistent with the Foundation’s risk tolerance and time horizon;
- Establish the criteria for monitoring performance of the Assets; and
- Encourage effective communication between the Foundation’s Board, Investment Committee and Investment Manager(s).

This IPS will also provide a set of general guidelines that will define the roles and responsibilities of the Foundation, the Investment Committee and the Investment Manager. The guidelines and objectives contained herein are broad in scope; more detailed information may be required for designated accounts with specific operational needs.

It is the Foundation’s intent to create an IPS that promotes sound and prudent management of the Assets in accordance with the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) and any other such laws and regulations that may apply now or in the future to the prudent investment of assets and the application of an appropriate spending policy for the Foundation.

### **III. ROLES AND RESPONSIBILITIES**

#### **A. THE INVESTMENT COMMITTEE**

The Foundation, through its by-laws, has created an Investment Committee (the Committee”) which is charged with the responsibility of overseeing and monitoring the investment of all Assets under its stewardship. In addition, the Committee shall monitor adherence of the Investment Manager to UPMIFA and other such laws and regulations that may apply now or in the future to the prudent investment of assets and the application of an appropriate spending policy. The Committee shall be composed of not less than three and not more than seven members of the Board of Trustees of the Foundation.

The Committee will meet quarterly, normally 30 minutes prior to the Foundation’s full board meeting. An annual meeting will also be set prior to the new fiscal year beginning July 1, and other meetings may be called as necessary.

The Committee will review this IPS at least annually to ensure that it still reflects the needs and circumstances of the Foundation. The IPS may be amended from time to time by the Foundation after consideration of the advice and recommendations of the Committee and Investment Manager. Any modifications of this IPS, including changes to spending policies, shall be promptly communicated to the Board and the Investment Manager.

#### **B. THE INVESTMENT MANAGER**

The Foundation, upon the recommendation of the Committee, may delegate some or all of its responsibility for managing the Foundation’s Assets to one or more Investment Managers, duly appointed by the Board and selected with due care in accordance with the Foundation’s by-laws and all applicable laws. The Investment Manager must be either (1) registered under the Investment Company Act of 1940, (2) registered under the Investment Advisors Act of 1940, (3) a bank, as defined in that Act, (4) an insurance company qualified under the laws of more than one state to perform the services of managing acquiring or disposing of the Foundation’s assets, or (4) such other person or organization authorized by applicable law or regulation to function as an investment manager.

The Investment Manager shall have full discretion in managing the Assets in accordance with this IPS, as may be amended periodically. The Investment Manager shall be specifically responsible for:

- Assisting the Foundation in developing an appropriate investment policy based on the Foundation's needs, objectives, and risk tolerance, and making appropriate recommendations to the Committee for modifying any provisions of this IPS;
- Advising on the selection of and allocation to appropriate asset categories, investments and managers for the Assets;
- Identifying and selecting specific investments and managers within each asset class;
- Managing and rebalancing asset allocations to specific target allocations set forth in this IPS;
- Monitoring and reporting on the performance of the total portfolio, all asset classes and managers;
- Periodically reviewing the appropriateness of the investments and managers for the Assets;
- Preparing and presenting appropriate reports;
- Meeting with the Committee at least once each year, and at other times deemed necessary at the Foundation's request; and
- Recommending and implementing changes to any of the above.

#### **IV. INVESTMENT OBJECTIVES - ENDOWMENT**

The primary investment objective of the endowment is to provide long term growth of capital sufficient to meet the Foundation's current and future spending obligations to the College and to protect the endowment from the long term effects of inflation. To achieve its investment objectives, the Foundation acknowledges that risk tolerance and diversification are overriding guiding principles of this IPS and that the primary objectives of diversification across uncorrelated asset classes are to enhance long term total return and reducing portfolio volatility.

##### **A. TIME HORIZON**

The Foundation's expected time horizon for these funds is in excess of ten years. The Foundation recognizes the possibility of principal loss due to the fluctuation of asset values over shorter periods of time. However, historical asset class return data suggests that the risk of principal loss over a holding period of at least ten years can be minimized with the long-term investment strategy employed under this IPS.

##### **B. RISK TOLERANCE**

The Foundation recognizes that higher returns require an acceptance of the potential for higher volatility. The Foundation has indicated a willingness to accept a moderate level of volatility, based on the target allocation of the Assets, in order to optimize total return within an acceptable risk tolerance. In order to reduce volatility, the Assets will

be fully diversified across a broad range of approved asset classes, including asset classes with low correlation to traditional asset classes.

## **V. INVESTMENT OBJECTIVES – OPERATING RESERVE FUNDS**

To protect against the impact of potential large declines in the investment market on the Foundation's spending, a spending reserve account may be maintained at a level of at least one times the Foundation's annual spending rate in accordance with the Foundation's current spending policy set forth in this IPS. From time to time, the Foundation will also have a need to invest temporarily restricted quasi-endowment funds and longer term operating reserves. The primary investment objective for these assets is preservation of principal with sufficient income to meet current operating needs.

### **A. TIME HORIZON**

The Foundation's expected time horizon for these funds is one to three years. It is anticipated that liquidity needs will generally be met through maturities and investment income.

### **B. RISK TOLERANCE**

The Assets will be invested with an objective of achieving a stable net asset value with limited principal volatility consistent with permitted investments. The portfolio will have an average duration of one year or less and be limited to short term domestic fixed income investments with a maximum maturity of three (3) years. All investments will be highly liquid with readily determinable valuations.

## **VI. ASSET ALLOCATION - ENDOWMENT**

Academic research suggests that the decision to allocate assets among various asset classes will far outweigh security selection and other decisions that impact portfolio performance. After reviewing the long-term performance and risk characteristics of various asset classes and balancing the risks and rewards of market behavior, the asset classes shown below were selected to achieve the objectives of the Fund. No guarantees can be given about future performance, and this IPS shall not be construed as offering such a guarantee.

The asset class targets and ranges shown below are the currently approved investment levels consistent with the Foundation's investment objectives. Within each of the major asset classes, sub-asset classes and strategies will be deployed to achieve full diversification. The portion of the Assets invested in each asset class and sub-asset class

will change periodically to reflect the Investment Manager’s tactical asset allocation strategy so long as it is within the acceptable ranges listed. Any proposed investment changes outside these ranges must be approved by the Investment Committee in writing prior to being implemented.

	<b>Target*</b>	<b>Lower Limit</b>	<b>Upper Limit</b>
<b>TRADITIONAL</b>			
<b>Total Equity</b>	60%	40%	70%
Domestic Large Cap Equity		20%	50%
Domestic Mid Cap Equity		0%	15%
Domestic Small Cap Equity		0%	15%
International Equity		0%	30%
Emerging Market Equity		0%	30%
	<b>Target*</b>	<b>Lower Limit</b>	<b>Upper Limit</b>
<b>Total Fixed Income</b>	30%	20%	50%
Domestic Investment Grade Fixed		20%	50%
High Yield Fixed		0%	15%
Global Fixed Income		0%	15%
<b>NON-TRADITIONAL</b>			
Commodities	5%	0%	10%
Real Estate Investment Trusts	5%	0%	10%
<b>RESERVES</b>	0%	0%	5%

\* May not sum to subtotals and totals due to rounding.

## VII. APPROVED INVESTMENTS

The following investment vehicles may be utilized for the investment of the Assets: registered mutual funds, exchange traded funds, collective trust funds, unit trusts, separately managed accounts, publicly traded partnerships, registered investment companies, investment trusts, and individual securities including but not limited to money market instruments, stocks, and bonds. The actual weightings of these investments can and will vary.

## VIII. ADJUSTMENT TO THE TARGET ALLOCATION

From time to time, market conditions may cause the portfolio’s investments to vary from the established allocations. To remain consistent with the asset allocation guidelines established by this IPS, each broad asset class in which the Foundation invests shall be reviewed by Investment Manager for potential rebalancing back to target or

initial allocations. The Investment Manager and/or the Foundation shall have the flexibility to not rebalance the portfolio back to target or initial allocations based on market conditions, economic events or account activity unless expressly stated in writing by the Foundation.

## **IX. BENCHMARKS**

The objective of the total endowment portfolio is to achieve a total return, net of fees, exceeding a blended benchmark comprising the following indices:

60% Standard & Poor's 500 Index

40% Barclays Capital U.S. Aggregate Bond Index

The objective of the total fixed income portfolio is to achieve a total rate of return, net of fees, exceeding that of the Barclays Capital U.S. Aggregate Bond Index.

The objective of the total equity portfolio is to achieve a total return, net of fees, exceeding that of the Standard & Poor's 500 Index.

## **X. RESTRICTIONS ON PERMITTED INVESTMENTS**

Under normal circumstances, the Foundation will not invest in illiquid assets, defined for this purpose as assets that cannot be liquidated for cash within one year. The Foundation will also not engage in borrowing for purposes of enhancing returns.

## **XI. EVALUATION AND REVIEW**

The objective of the evaluation and review process is to monitor the progress of the Foundation's Assets. Performance will be reviewed by the Foundation quarterly. With a view toward a three to five year performance horizon, the Investment Manager will review and report to the Foundation, no less often than annually, that:

- The total portfolio of the Fund is achieving its stated objectives;
- The Investment Manager is performing satisfactorily in relation to both objectives set forth herein and other investment organizations managing similar pools of capital and the recognized market indices;
- The Investment Manager is adhering to the IPS and its stated objectives; and
- The overall policies and objectives continue to be appropriate, reasonable and achievable.

## **XII. COMMUNICATIONS AND CLIENT SERVICE**

Investment Manager shall provide to the Foundation quarterly the following information:



- Portfolio performance results over the most recent quarter and year-to-date basis, and rolling one, three, five and ten year periods (if applicable);
- Performance results of each individual investment or manager for the same periods;
- Performance results of comparative benchmarks and blended benchmarks for the same time periods;
- Performance results calculated on a time-weighted rate of return basis; and
- An overview of the current market environment and the investment manager's current investment strategy.

### **XIII. COORDINATION WITH THE FOUNDATION'S DOCUMENTS**

Notwithstanding any of the foregoing, if any term or condition of this IPS conflicts with any term or condition of the Foundation's by-laws or other governing documents, the terms and conditions of the Foundation's by-laws and governing documents shall control.

### **XV. STATEMENT OF SPENDING POLICY**

#### **ENDOWMENT SPENDING POLICY**

The Foundation will endeavor to ensure, to the degree reasonably possible, that the endowment funds with which it is entrusted keep pace with inflation so that the original purpose of the donor in establishing the endowment fund can be met in perpetuity. Toward that end, the Foundation has adopted the following spending policy, which will apply to all endowed funds unless a particular donor has otherwise stipulated spending restrictions.

1. In adopting this policy, the Foundation seeks an appropriate balance among three goals:
  - To provide current programs with a predictable and stable stream of revenue
  - To ensure that the real value (defined as purchasing power) of the revenue stream does not decline over the long term
  - To ensure that the real value of the endowment assets does not decline over the long term
2. Authorized expenditures during the Foundation's upcoming fiscal year shall be limited to five percent (5%) of the average annual total market value of the endowment over a trailing five year period ending December 31 within the current

fiscal year, not to include endowment additions during the current fiscal year. In the event the average annualized total return for the trailing five year period fails to equal or exceed 5 %, then the Foundation shall instead distribute Net Income (defined as interest, dividends and other income receipts from investments less expenses) until such time as the trailing five year return again equals or exceeds 5%. The amount to be spent in the coming year is calculated each December 31<sup>st</sup> and is reviewed and approved by the investment/finance committee annually.

3. In making such distributions, the Foundation is authorized to use both Net Income and Net Capital Appreciation (defined as realized and unrealized appreciation in the fair market value of the investments) in accordance with the Georgia Uniform Prudent Management of Institutional Funds Act (UPMIFA).
4. Exceptions to or changes in this spending policy shall be made only upon the approval of the Foundation's Board of Directors based on specific recommendations from the Finance Committee.

#### **NON-ENDOWED AND DONOR-DIRECTED FUNDS**

The Foundation will use its discretionary/unrestricted fund in support of the activities associated with the mission of the Foundation, which is to help strengthen and grow Southern Regional Technical College by:

- Securing resources to help achieve the vision of excellent technical and adult education;
- Establishing scholarship programs and endowment funds for the College's students and faculty;
- Serving as a conduit for Southern Regional Technical College to receive tax deductible donations; and
- Administering and investing of funds received in support of our service partners.

In this regard the Foundation will consider use of its unrestricted dollars for, but not limited to:

- Host events and fundraisers for potential donors and key stakeholders inclusive of social hour and meal events.
- Donate gifts/awards for student competitions and recognitions.
- Donate gifts/awards for faculty.
- Donate gifts/awards for outstanding service and/or contributions of volunteers.
- Generally support the College, faculty, administration, and students in maintaining the mission of the College.

Note: Any other requests for monies that provide support for Southern Regional Technical College's mission will be considered by the Foundation Executive Committee.

In addition the Foundation will:

- Avoid accumulating excess funds that could be used for current program activities.
- Require Board approval for the annual fiscal year budget, including outlined projected expenses for major program activities, fund-raising and administration.
- Along with Southern Regional Technical College, make every reasonable effort to eliminate any potential conflicts of interest by employees of the College and the Foundation in operations and transactions and in the relationships between Southern Regional Technical College, Inc. and Southern Regional Technical College.

Revised \_\_\_\_\_

*[Signatures appear on the next page.]*

APPROVED on \_\_\_\_\_ (date) BY SOUTHERN REGIONAL TECHNICAL COLLEGE FOUNDATION:

Authorized Signer

#1:

\_\_\_\_\_ (signature)

\_\_\_\_\_ (printed name)

Authorized Signer

#2:

\_\_\_\_\_ (signature)

\_\_\_\_\_ (printed name)

Authorized Signer

#3:

\_\_\_\_\_ (signature)

\_\_\_\_\_ (printed name)

APPROVED on \_\_\_\_\_ (date) BY INVESTMENT MANAGER:

SunTrust Bank \_\_\_\_\_ (signature)

\_\_\_\_\_ (printed name)