

Section: Policy Statement – Fiscal

Subject: Investment Policy

Purpose: The purpose of the Investment Policy is to provide general guidance relative to the delegation of authority and responsibility and the policies and procedures associated.

Last Review: July 10, 2000

Revised (Board Adoption): February 18, 2021

I. POLICY STATEMENT

This Investment Policy is intended to provide guidelines for the prudent investment of the University Center asset portfolio and to outline the policies for maximizing the effectiveness and efficiency of the Humboldt State University Center Board of Directors (hereafter referred to as the UC) investment management program. The goal of this Investment Policy is to maximize the rate or return while preserving capital resources to fulfill current and future post-employment and pension benefits.

II. INVESTMENT OBJECTIVE

The purpose of this policy is to establish a framework for the investment of UC assets, and to ensure there are funds available to meet the obligations due to UC retirees by achieving a maximum rate of return on assets based on a desired level of risk and consistent with prudent investment management. Since the UC has a long-term investment horizon, some risk of principal is acceptable to achieve higher overall returns. The investment of the funds should exceed the rate of inflation by four (4%) percent, over full market cycles. A market cycle is defined as a rising or falling market, and a full cycle is both. The Board reserves the right to evaluate a full cycle in a three to five year time frame.

III. RESPONSIBILITIES

The following parties associated with the UC shall discharge their respective responsibilities in accordance with all applicable fiduciary standards as follows: (1) in the sole interest of the UC's contributions and beneficiaries; (2) 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 a like character and of like aims; and (3) by diversifying the investments so as to minimize the risk of large losses.

A. Board of Directors: The members of the Board of Directors are the fiduciaries of the UC and are ultimately responsible for the investments of the UC.

B. Finance Committee: The members of the Finance Committee have been delegated authority by

the Board of Directors to provide oversight to management of the day-to-day administrative issues associated with the UC's assets. They have recommendatory authority to the Board of Directors with respect to the implementation of this Investment Policy and shall make detailed reports to the Board of Directors regarding the status of the UC's investments.

Specific responsibilities include the following:

1. Recommend investment goals and objectives for approval by the Board of Directors.
2. Establish and, when deemed necessary, recommend modifications to the Investment Policy.
3. Negotiate and/or monitor UC investment expenses.
4. Monitor and evaluate investment performance on a quarterly and ongoing basis.
5. Assure proper custody of the investments.
6. Report to the Board of Directors, at least annually, regarding the UC's investment results, its composition and other information the Board of Directors may request.

C. Executive Director/designee: The Executive Director/designee is delegated authority by the Board of Directors to manage the day-to-day administrative issues associated with the UC's assets and to execute investment transactions on behalf of UC.

D. Board Secretary/Treasurer: The Board Secretary/Treasurer is authorized to execute investment transactions on behalf of UC.

IV. PRUDENCE, ETHICS AND CONFLICT OF INTEREST

All participants in the investment process shall act responsibly. The standard of prudence to be applied by the Committee, staff, and external service providers shall be the "prudent investor" rule, which in part, states: "A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution. A trustee's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust."

All investment personnel shall refrain from personal business activity which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. All investment personnel shall disclose to the UC Executive Director any material financial interests in financial institutions which conduct business within the jurisdiction and shall disclose any material financial investment positions which could be related in a conflicting manner to the performance of the UC's investment portfolio. The UC Executive Director shall report in writing to the Board Chair any issues, which could reflect any conflict in the performance of the UC's investments.

V. INVESTMENT MANAGEMENT

Aside from the funds needed to maintain current obligations which is kept in commercial banks, management is authorized to establish an account with the Local Agency Investment Fund (LAIF) which is managed by the Treasurer of the State of California.

Management is also authorized, in conjunction with the Finance Committee, to explore potential investment strategies including but not limited to obtaining investment management guidance from professionals knowledgeable in such matters. Establishment of an endowment or other investment vehicles may be used if deemed by the Finance Committee to be acceptable and in the best interests of UC.

Withdrawals from UC investment accounts will be deposited in the UC's operating bank account. The preferred method of depositing investment funds into the UC operating account is via wire transfer or an electronic ACH transaction.

VI. INVESTMENT POLICY REVIEW AND REVISIONS

The Board of Directors reserves the right to amend the Investment Policy at any time they deem such amendment to be necessary, or to comply with changes in federal law as these changes affect the investment of the UC's assets.

VII. SOCIALLY RESPONSIBLE INVESTING

The Board of Trustees of the California State University adopted a resolution urging auxiliary boards, which make corporate investments to issue statements of social responsibility and to follow those precepts in examining past and considering future investment policies. The UC Board of Directors recognizes and accepts its social responsibility with respect to the investment of funds.