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# Ithaca College

## *Statement of Investment Objectives, Goals and Policy Guidelines*

### Preamble

Effective April 1, 1997 the Ithaca College Endowment Fund investment structure changed from a global balanced philosophy, where individual management firms had responsibility and discretion within College guidelines to determine asset allocation; to a strategic philosophy, whereby individual management firms have responsibility for managing specific purpose portfolios within the College's Endowment Fund structure. The College now assumes responsibility for the overall asset allocation and the periodic rebalancing, as necessary.

### I. Philosophy

Beginning modestly, the Ithaca College Endowment Fund has enjoyed significant growth. The assets support an ever broadening array of activities that assure the College's future mission. The Trustees, ever mindful of their stewardship, have caused this statement to be prepared as a policy framework for a disciplined process that seeks to add value and minimize risk for the College and those who benefit from these assets. The Investment Committee of the Board of Trustees is charged with the responsibility of overseeing the management of the Endowment Fund assets, as well as the ongoing review and updating of these policy guidelines.

### II. Investment Objectives

The Endowment Funds are permanent funds with disciplined longer-term investment objectives and strategies that will accommodate relevant, reasonable, or probable events.

Careful management of the assets is designed to ensure a total return (income plus capital change) necessary to preserve and enhance (in real dollar terms) the principal of the funds and at the same time, provide a dependable source of support for current College operations and programs.

Spending for current operations and programs should not exceed 6% of a 12 quarter moving average of the Fund's total market value.

### III. Diversification of Investments

In recognition of the prudence required of fiduciaries, reasonable diversification will be sought where possible. Experience has shown financial markets and inflation rates are cyclical and therefore, control of volatility will be achieved through diversification of asset classes and selection of managers of diverse styles.

### IV. Asset Allocation

Since the selection and weighting of asset classes is the primary determinant of investment return and volatility, asset choice will be carefully considered by the College in accordance with a systematic allocation process derived from consultation with their advisors. Approved asset classes and policy target ranges are noted below:

	<b>% Target Allocation</b>	<b>% Range</b>	<b>Index Benchmark</b>
<b>Total Equity</b>	<b>50.0</b>		
Global Equity	50.0	40-60	MSCI AC World
<b>Total Alternative</b>	<b>25.0</b>		
Private Equity*	5.0	0-10	S&P 500/LB Aggregate
Hedged Equity	10.0	7-13	HFRI FOF Strategic
Absolute Return	10.0	7-13	HFRI FOF Conservative/CSFB Event Driven Multi Strategy
<b>Total Fixed Income</b>	<b>15.0</b>		
Global Fixed Income	15.0	10-20	JP Morgan Global Unhedged
<b>Cash Equivalents and Short Term</b>	<b>0.0</b>	0-5	91 Day T-Bill
<b>Real Assets*</b>	<b>10.0</b>	0-15	NCREIF Property

\* *Rebalancing boundaries allow for flexibility associated with maintaining invested (not committed) target.*

The fund is to be structured for long term growth with a broadly diversified mix of asset classes and styles. The international equity and global fixed income segments are intended to reduce volatility and the fund's reliance on domestic financial markets. The real asset portion of the fund is expected to earn high real rates of return with a very low correlation to more traditional asset classes.

The target for the actual asset mix will be reviewed by the Investment Committee annually, or more frequently as necessary. As part of this process, a

rebalancing procedure within the policy framework of the adopted asset allocation model has been established. More specifically, the quarterly review guideline will be:

1. Changes in the allocation to the asset class segments or subsegments will be made at any time the quarterly weighting is outside the established weight range as defined on the asset allocation model; or
2. Changes in the allocations may be considered any time a weighting varies from the current target weighting.

The Investment Committee will review the segment allocations at its regularly scheduled meetings and any changes in the allocations will be made after the meetings. In the case of major market movements resulting in variations as provided under (1) above, rebalancing of the segment allocations may be made prior to the quarterly review upon approval of the Chair of the Investment Committee and the Vice President for Finance and Administration.

New monies received by the College for addition to the Endowment Fund will be added to the investment pool, when received, and distributed to the managers based on the approved target allocations; adjusted for any rebalancing necessary within the policy framework based on the actual asset mix percentages.

## **V. Spending Guideline**

Annual spending for pooled investments is established by the Administration between a minimum of 4% and a maximum of 6% of the twelve most recent quarterly pooled unit market values, prior to the beginning of each fiscal year. The annual spending percentage, subject to prior range limitations, is based on prior year's spending plus a reasonable increase relative to inflation and rate of increase for tuition at the College.

The administration has the authority to determine annual spending for new fund additions to the pooled investments subject to the limitation of 6% of the current market until they have fully matured in the twelve quarter computation.

## **VI. Investment Management**

Investment managers will be appointed following a systematic search for those with demonstrated quality in the style desired. To optimize access to such managers, while minimizing management fees and transaction costs assessed to the College, no-load mutual funds and pooled funds may be considered

together with separate account management. Managers are given discretion to manage funds entrusted in accordance with the style for which they are employed provided they comply with the restrictions and limitations as may be determined by the College from time to time. (Article X and XI)

## **VII. Evaluation of Managers**

The following criteria will be used to evaluate manager performance.

### **A. Performance Objectives for Active Management**

1. Equity manager(s)/fund(s) will be expected to achieve an annualized total rate of return over a five year period which exceeds the appropriate market index rate of return, net of costs and fees, by the following amounts:

Large Cap Equity: 0.50%  
Small/Mid Cap Equity:  
1.00% International Equity:  
1.00%

Fixed income managers will be expected to exceed appropriate market indices by 0.50%, net of costs and fees. Balanced managers will be expected to attain a blended objective reflective of their asset mix. Total return is defined as dividend or interest income plus realized and unrealized capital appreciation or depreciation at fair market value.

2. The manager(s)/fund(s) will also be expected to consistently achieve a total rate of return which is equal or above the median return in a universe of peers with comparable investment styles or portfolio objectives.

### **B. Investment Style**

The managers/fund(s) will maintain a portfolio for the College characterized by their respective traditional management styles and, if a change in such style is contemplated, the manager is required to make advance written notification to the College.

### **C. Change in Objectives or Asset Allocation**

A change in objectives or asset allocation strategy may require that funds be transferred between asset classes, to new asset classes, or among

styles within asset classes. These changes may result in increases, decreases or elimination of funds under management by a specific manager.

### **VIII. Performance Measurement**

Measuring manager progress against policy objectives and for consistency in measuring performance against the total return objectives, performance will be reflected net of management fees and transaction costs.

### **IX. Proxy Voting**

Proxy voting on equity securities for separately managed funds will be the responsibility of the Manager in accordance with this Statement of Investment Objectives, Goals and Policy Guidelines and its amendments. Proxy voting on any commingled funds will be the responsibility of the Vice President for Finance and Administration.

### **X. Investment Consultant**

The College may retain the services of an independent investment consultant for the purpose of assisting the College in developing and then attaining the objectives of the College. The consultant will assist in establishing objectives offering alternative models of asset allocation, identifying appropriate managers or funds, producing timely quarterly reports that monitor performance of individual managers against similar managers as well as performance of the entire Fund against its objectives and against other appropriate indices. The consultant will also provide consultation on revisions and modifications as appropriate.

### **XI. Limitations and Restrictions**

Not more than 10% of a manager's portfolio may be invested in the securities of any one issuer, with the exception of the U.S. Government or its agencies and other sovereign government issuers. Investments rated below BBB by Standard & Poors Corporation or a comparable nationally recognized rating service are limited to not more than 15% at cost, of the value of the fixed income assets, and with respect to each issuer, 3%, at cost. Unrated securities considered by the manager to be within the quality guidelines of the account may be purchased. In the case of a split rating, the higher rating shall apply. If a downgrade causes a violation of these guidelines, such downgraded security may be held at the manager's discretion.

The following categories of investments are **not** permitted for investment without *Investment Committee approval*: (i) Private placements or restricted securities, other than Rule 144A Securities - except as may be positioned in a commingled fund which does not specifically emphasize private placements; (ii) Commodities - including gold, precious gems or commodity futures; (iii) Conditional sales contracts; (iv) Uncovered options; (v) Short sales or margin purchases; (vi) Transferable certificates of participation in business trusts and limited partnerships; (vii) Use of derivatives or leverage (see Section XII); (viii) Securities of the investment managers or their respective parents, subsidiaries or affiliates; (ix) Investments in companies doing business not in accordance with the policy statements of the College; and (x) Securities in violation of State law.

## **XII. Use of Derivatives**

### **General**

When prudently used, the College recognizes that derivative instruments and strategies can be an important element of general portfolio management. Derivatives offer applications to investment management firms that are effective alternatives to trading physical securities, provided firms have the technical knowledge of the market factors, the quantitative skills to analyze the securities over a range of scenarios and the ability to determine reasonable valuation before purchasing.

Portfolio management agreements or manager guidelines must explicitly authorize the use of derivatives. Except in approved special equity strategies, derivative instruments may not be used to effect a portfolio beyond the value of the underlying assets (leverage).

### **Equity Managers**

Any derivative strategies must be comparable to strategies historically used by the manager in managing underlying physical assets and the manager is responsible for keeping the College informed on current internal policies regarding the use of derivatives. If any change in the firm's policies is being considered, the Investment Committee through the Vice President for Finance and Administration is to be notified, in writing, sufficiently in advance to consider the effect of the change and if appropriate, to terminate the portfolio prior to the change taking effect.

### **Fixed Income Managers**

Derivative based strategies may not subject the College's portfolio to

greater variability (e.g., IOs, POs, inverse floaters, etc.) than would be typical of a physical asset portfolio of the same character.

Futures and options contracts are restricted to actively traded liquid instruments on major exchanges, or to over-the-counter options or forward contracts executed with major dealers. All futures, options or forward contracts must be offset, in full, by underlying asset positions.

### **XIII. Custodian**

A master custodian bank will be employed in order to control the flow of funds, provide for proper accounting of investment transactions and the short-term investment of residual cash.

### **XIV. Investment Manager Communication**

Where the Fund is separately managed, the manager is responsible for free and open communication with the Investment Committee through the Vice President for Finance and Administration in all significant matters pertaining to investment policies and management of Fund assets, including, but not limited to: (i) Major changes in the investment manager's investment outlook, investment strategy and portfolio structure; (ii) Any significant changes in the ownership, organizational structure, financial condition or senior personnel staffing of the investment manager's organization; and (iii) quarterly transactions, evaluation and performance reports.

### **XV. Reporting and Evaluation**

As the Committee of the Board charged with overseeing the management of the assets, the Investment Committee will endeavor to meet with the consultant every quarter and with all managers at least once per twelve month period or more frequently if necessary, to review and discuss performance results, asset allocation, economic outlook/valuations, organizational changes and other pertinent information or matters. Special meetings of the Investment Committee may be called by the Chair as necessary. All materials to be used during such meetings shall be submitted by the advisors at least five business days in advance of the meeting.

Quarterly evaluations of Endowment assets under advisement or management shall be supplied by the custodian, consultant and investment managers, in the form as may be requested by the Investment Committee to include market valuations, industry segmentations, transaction registers, cash statements, and similar reports. The report of fixed-income and equities shall show inventories at cost, purchase date, market value and share or unit values

at cost and market values.

All materials required of the manager(s) and custodian shall also be provided to the consultant. In addition, the manager(s) and the custodian shall provide evidence of liability and fiduciary insurance and have its employees bonded unless otherwise exempted by law or governmental regulation.

The Investment Committee will report to the Board of Trustees at their regular meetings on investment performance, asset allocation, strategic and manager issues or concerns, as well as actions taken regarding manager changes or recommendations regarding strategic issues on asset allocation or diversification.

#### **XVI. Conflict of Interest**

It is the policy of the Trustees to avoid conflicts of interest in its operations and in the selection of investment managers or funds. Therefore, College administrative officers or Trustees shall disclose any financial or business relationship with any manager or fund being considered. Similarly, the independent investment consultant retained by the College, or any entity, in which such consultant may have an interest, shall disclose any financial or business relationship with any investment manager providing services to the College or any fund in which the College has an investment.

#### **XVII. Implementation**

All new monies received by investment manager(s) after the adoption of this Statement of Policy shall conform to the Statement. To the extent that Fund assets are not currently managed in accordance with this Statement, the investment manager shall conform in all respects to this Statement within 60 days of its receipt hereof.