



Board of Trustees
Investment Subcommittee

9:30 AM
April 10, 2019
President's Boardroom, The Horace Mann Center

- | | |
|---|-----------------|
| 1. Call to Order | Trustee Queenin |
| 2. Minutes
a. November 14, 2018 | Trustee Queenin |
| 3. Items for Information
a. None | |
| 4. Items for Discussion
a. Investment Policy (0430) | Stephen Taksar |
| 5. Items for Action
a. Motion – Investment Advisor | Stephen Taksar |

Attachment(s):

- a. Minutes 11-14-18
- b. Investment Policy Draft (Mark Up)
- c. Investment Policy Draft (Clean)
- d. Investment Policy (Current)
- e. Motion – Investment Advisor



BOARD OF TRUSTEES

Investment Subcommittee

Minutes

President's Boardroom, Horace Mann Center

November 14, 2018

Investment Subcommittee members in attendance: Committee Chair Queenin, Trustee Cameron Swan, Foundation Board member Sheridan Carey, and Stephen Taksar, Vice President of Administration and Finance.

Participating remotely: Trustee Steven Marcus and Foundation Board member John Davies

Dr. Ramon S. Torrecilha, President of Westfield State University, was also in attendance.

The meeting was called to order by Committee Chair Queenin at 2:05 PM who stated that because Trustee Marcus and Mr. Davies were joining the meeting remotely, all votes of the trustees would be by roll call. Chair Queenin welcomed student trustee Cameron Swan to the committee.

MOTION was made by Committee Chair Queenin, seconded by Trustee Marcus, to approve the minutes of the August 7, 2018 Investment Subcommittee meeting.

Roll call vote:

Trustee Queenin	yes
Trustee Swan	abstained
Trustee Marcus	yes

The Motion passed unanimously.

Vice President Taksar gave an update on the Request for Proposals for an investment advisor and stated the deadline to receive proposals was that day. Christopher Raymond, Director of Procurement and Administrative Services, reviewed the process schedule and stated that there had been eight respondents so far, which is a typical return. The proposals will be opened, documented as received, and reviewed to make sure they meet the qualifications required. A committee of employees will be formed to review the proposals and then start negotiations with potential advisors, inviting three-to-five companies to come give presentations. The goal is to have a final selection by December 18, finalize a contract by mid-January, and continue with due diligence so everything will be in place by spring. The Investment Subcommittee and Finance and Capital Assets Committee will provide input on the process.

Vice President Taksar welcomed feedback and constructive comments on the proposed revised Investment Policy, which is the first redraft of the existing policy after feedback from some of the finance staff, review of sister institutions' policies, and inclusion of relevant Massachusetts General Laws for public institutions' investment strategies. The investment advisor may also

suggest language to be added. The final proposed policy changes will need to be approved by the Finance and Capital Assets Committee and then the full Board.

The following suggestions or revisions to the policy were discussed:

- Add language with the criteria for fees and expenses, not to exceed 100 basis points without Board approval. The range of fees should also be added to the grid as proposals are being evaluated.
- Under the Delegation of Authority section, it was agreed that the Finance and Capital Assets Committee, upon recommendation by the Investment Subcommittee, should appoint the investment advisor/manager.
- In the Asset Allocation section, the Investment Subcommittee should meet at least twice a year instead of at least annually and the Investment Subcommittee should be defined somewhere in the policy that it is a subcommittee of the Finance & Capital Assets Committee of the Board of Trustees.
- Also under Asset Allocation, there is a need to think about how long the money will be invested, providing for sufficient liquidity. Vice President Taksar stated that the vision is to keep cash in the current banking relationships to ensure there are funds available for working needs and not draw on the investments other than the income coming off the principal, which will feed into the operating budget. There may also be times when specific amounts are moved into short-term investments for a period of time for specific projects such as the Parenzo renovation.
- Some of the wording on the bottom of page one in subparagraphs (a) through (d) was questioned and it was suggested to define or change some of the adjectives.
- The authority of managing the policy should be with the Finance and Capital Affairs Committee and overseen by the Vice President of Administration and Finance.
- The investment advisor selected should give their perspective on the Rating Service and Dividend Policies shown on page five.
- The policy should be reviewed by the Investment Subcommittee and the Vice President for Administration and Finance and reported to the Finance and Capital Affairs Committee annually instead of every three years.
- On page four under Corporate Bonds, the maximum maturity of seven years should be removed as it is best to lock in the best deal and have the flexibility to pick what's best for the University. In paragraph 2(e), the wording should be changed to "...with credit ratings above Baa/BBB" instead of "below Baa/BBB."

Vice President Taksar will incorporate changes to the policy and email a revised copy to this subcommittee.

The revised Investment Subcommittee Charge was reviewed and it was agreed that the charge, together with an update on the subcommittee, should be provided to the Finance and Capital Assets Committee at the December 5 meeting.

MOTION made by Trustee Swan, seconded by Trustee Marcus, to adopt the Westfield State University's Board of Trustees, Finance and Capital Assets Committee's, Investment Subcommittee Charge, as presented.

Roll call vote:

Trustee Queenin	yes
Trustee Swan	yes

Trustee Marcus yes

The Motion passed unanimously.

A meeting will be scheduled after December 9 with the employee working group, the Investment Subcommittee and interested members of the Finance and Capital Assets Committee to review the second draft of the policy and the investment advisor proposals.

There being no further business, Trustee Swan made a **MOTION** to adjourn, which was seconded by Trustee Marcus.

Roll call vote:

Trustee Queenin yes

Trustee Swan yes

Trustee Marcus yes

The Motion passed unanimously.

The meeting was adjourned at 2:54 PM.

Attachment(s):

- a. Minutes 8-7-18
- b. Investment Policy (0430)
- c. Motion – Committee Charge
- d. Committee Charge

Chair's Certificate

I hereby certify that the foregoing is a true and correct copy of the approved minutes of the Westfield State University Board of Trustees Investment Subcommittee meeting held on November 14, 2018.

Kevin Queenin, Chair

Date

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REVIEWED: ~~November 2018~~ April 2019**INVESTMENT POLICY****(DRAFT 432 - / 11-8-184/41/19)****STATEMENT OF PURPOSE**

Chapter 15A of Massachusetts General Laws provides that the Westfield State University Board of Trustees (Trustees) has the authority to establish and manage trust funds. The administration of these funds will comply with MGL Chapter 73, Section 14 as well as with MGL Chapter 180A, also known as the Uniform Management of Institutional Funds Law. This Investment Policy is intended to serve as a basis for actions of management in carrying out its investment duties, and for the Trustees in monitoring management's investment activities. A concurrent responsibility of the management of the funds is the thoughtful investment of trust monies. The University may use the services of one or more investment management firms and/or a bank trust department (Investment Manager(s)) to carry out the University's investment activities. The basic responsibility of the Investment Manager(s) will be to keep management of the University abreast of the economy and market conditions and to invest in a mix of eligible instruments within the context of laws, regulations and this investment policy. The Investment Manager(s) shall be approved by the Board of Trustees as part of this policy. University management may delegate authority to the Investment Manager(s) to act within the boundaries of this policy.

SCOPE

This Investment Policy applies to funds that are not appropriated by the Commonwealth of Massachusetts and specifically excludes federal or other restricted allocations. All funds are accounted for in the University's financial reports. The overall goal is to establish and maintain an investment portfolio which is designed to provide for the University's cash flow requirements and principal growth of certain fund balances.

INVESTMENT SUB-COMMITTEE

A sub-committee will be formed called the Investment Sub-Committee and will oversee the investment portfolio, policy and the selection of an investment advisor. The sub-committee is established under the Finance and Capital Assets Committee who has formal authority over investments, as provided in the Trustee by Laws. The composition of the Investment Sub-Committee may have members other than trustees who can provide guidance but will not be voting members of the sub-committee. The sub-committee will be staffed by the Vice President for Administration and Finance and or their designee.

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INVESTMENT OBJECTIVE

It is the investment objective of the University to establish and maintain an investment portfolio which is designed to provide for the University's cash flow requirements while also achieving long-term capital growth and appreciation of the portfolio. The basic objectives of the Investment Policy are:

- a. Preservation of Capital and Safety of Principal – Investment of Westfield State University funds shall be undertaken in a conservative manner that seeks to ensure the preservation of capital and safety of principal.

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b. Minimizing Price Volatility – This Investment Policy prohibits investments in securities with the potential for wide price volatility. ~~(See Prohibited Investments), such as options, futures, derivatives, short purchases and sales, and the leveraging of the funds.~~

~~c. Liquidity – Sufficient funds must be available to meet the University's projected cash flow needs throughout the year with particular attention to seasonal variations.~~

d-c. Return on Investment - Investment income is an integral part of the University's annual budget and long term viability. The portfolio of Westfield State University shall be designed to attain an optimal rate of return under shifting economic conditions and investment cycles.

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ASSET ALLOCATION

The responsibility for establishing periodic asset allocation that is consistent with the objectives of the overall Investment Policy is under the purview of the Trustees Finance and Capital Asset Committee with recommendations from the Investment Subcommittee and with specific responsibilities assigned to the Vice President for Administration and Finance. The Investment Subcommittee shall review the allocations twice a year and will report up to the Finance and Capital Assets Committee with its findings at least annually. The investment mix selected should reflect the risk level periodically determined to be appropriate for the University investment portfolio. It is recognized that asset allocation is a critical strategy to achieve investment objectives.

Asset allocation of the University portfolio should be equivalent to approximately X% in equities, X% in fixed income and X% in cash. Managed funds that include both equity and fixed income underlying investments shall be distributed to the appropriate portfolio category for the purpose of reviewing asset allocation. Recognizing that from time-to-time during the course of business it is not realistic to expect complete compliance with this guideline, an acceptable range follows:

	<u>Goal</u>	<u>Acceptable Range</u>
Equities	X	X
Fixed Income	X	X
Alternative Investments	---	---
Cash	Minimal	X

Commented [FL1]: JD-We need to establish high level ranges for each category.

Any asset allocation not within these ranges should be communicated by the Investment Managers(s) to management as soon as practicable but no later than the next quarterly status report to the University. The portfolio should be re-balanced to fit within the acceptable ranges defined in this policy as soon as practical, taking investment risks into consideration. The Investment Manager(s) is expected to rebalance the portfolio at least annually. Rebalancing recommendations should be made to the Investment Subcommittee for approval.

PROHIBITED INVESTMENTS

Investment in derivative securities, forwards, swaps, futures of any type are explicitly

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prohibited via direct or indirect involvement under this policy.

DELEGATION OF AUTHORITY

~~Oversight~~ ~~Management~~ responsibility for the investment program is delegated to the Finance and Capital Assets Committee hereby delegated to the Vice President for Administration and Finance who shall manage the investment program, and includes

including the hiring possible appointment of an Investment Manager(s), asset allocation, and active management decisions consistent with this policy, the Trustees approved Investment Policy. The Vice President for Administration and Finance shall be responsible for the management of the investment process. No policy. No University official may execute or cause any investment transaction except as allowed or provided under the terms of this Investment Policy and specific investment procedures that may be periodically established by the Finance and Capital Assets Committee at the recommendation of the Investment Subcommittee. The University's investments shall be secured through third party custody and safe keeping procedures. Bearer instruments shall be held only through third party institutions (i.e. a custodian or a trustee).

Roles and Responsibilities

The Vice President for Administration and Finance (VPAF), with oversight from the Finance and Capital Assets Committee, shall have the overall responsibility for implementing ~~the~~ management and oversight of the Investment Policy. The Associate Vice President for Finance shall have the responsibility of implementing the investment program, including executing the related transactions, accounting and reporting of the activity. C- Furthampus leadership consultation. Finance and Capital Assets committee, upon the recommendation by the Investment Subcommittee and University Management, will appoint the investment advisor/manager. The Associate Vice President for Finance shall have the responsibility of implementing the investment program, including executing the related transactions, accounting and reporting of the activity. The Investment Policy related procedures shall comply with the University's Internal Control Plan.

ETHICS AND CONFLICT OF INTEREST

The Trustees, officers and employees of Westfield State University involved in the investment process are prohibited from personal business activities that could impair their ability to make impartial investment decisions. The perception of a conflict of interest must be avoided. All ethics rules and laws of the Commonwealth of Massachusetts are hereby incorporated by reference into this policy.

REPORTING

University management shall provide quarterly reports from the investment advisor, summarizing investment activity and detail to the Finance and Capital Assets Committee through the Investment Subcommittee.

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AUDITS

The University retains the option to request an independent audit of the funds invested through the investment advisor.

INVESTMENTS

With stability, liquidity, capital growth and total return as essential objectives in this Investment Policy, available funds will be invested in instruments consistent with the objective and asset allocation methodology.

The University's investment portfolio, for purposes of this policy statement, shall consist of three major categories of financial investments: (1) fixed income - short and long term (bonds); (2) equity (stocks/managed funds); (3) cash or cash equivalents.

Total fees (advisory and expenses) for the Investment Advisor/Manager will be limited to 100 basis points unless approved by the Finance and Capital Assets Committee.

1. Fixed Income - short term and long term (bonds):

(a) *Fixed Income – short-term.* These are investments which have maturities of no longer than one year. The purpose of the fixed income short-term investment portfolio shall be to provide sufficient liquidity to meet institutional objectives. The use of this portion of the portfolio shall be consistent with management's anticipated cash flow needs and future investment opportunities.

(b) *Fixed Income – long-term.* These are investments which have maturities of more than one year from the date of investment. The purpose of the long-term portion of the investment portfolio shall be to maximize return within the context of other recognized needs and risks. The portfolio shall be considered for purposes of capital growth and the provision of long term funding of capital needs. Eligible securities and other restrictions are as follows:

1. U.S. Treasury and Federal Agency Securities

- a. Maximum size of portfolio - no limit
- ~~b. Maximum lot size - no limit~~
- ~~e-b. Maximum average maturity - 7 years~~
- ~~d-c.~~ Mutual funds or ETFs consisting of individual securities that meet the above characteristics

2. Corporate Bonds

- ~~a.~~ Aggregate limit of all corporate bonds: 35% of capital (prudently diversified)
- ~~b-a.~~ Maximum maturity - 7 years
- ~~e-b.~~ All individual corporate bonds shall have a rating of Baa/BBB

Commented [FL2]: JD-We may not need the 7 year limit.

Commented [FL3]: JD-This would need to fall under the overall allocation guidelines.

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Commented [FL4]: JD-Need to fall under overall guidelines. 35% needs to tie in as well.

Commented [FL5]: JD-remove 7 years

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or better as published by Moody's or Standard & Poor's at the time of purchase.

~~d.c.~~ Mutual funds or exchange traded funds (ETFs) consisting of individual securities that meet the above characteristics

~~e.d.~~ Mutual funds or ETFs holding broadly diversified portfolios of bonds with credit ratings ~~above~~~~below~~ Baa/BBB as published by Moody's or Standard & Poor's at the time of purchase.

Commented [FL6]: JD-Discuss rating threshold with investment advisor to determine rate

Commented [FL7]: JD-Should be reviewed with advisor and below removed for rating level decided on above

3. Municipal/Other Tax Exempt Issues

a. Municipal bonds and other tax exempt bond issues offer an opportunity that allows investors to avoid payment of taxes on income or capital gains resulting from the investment. Since the University is a tax-exempt entity that does not pay taxes, municipal bonds and other tax exempt bond issues are generally not advantageous to the investment portfolio although not necessarily prohibited within the portfolio. Depending on market conditions, these instruments may be appropriate and attractive even without the benefit of the tax shelter.

Commented [FL8]: JD-Important that investment manager/advisor understand the impact of tax exempt on all of our investments.

2. Equity (stocks):

The purpose of the equity investment portfolio shall be to maximize return and provide a hedge against inflation through a diversified approach in compliance with applicable Massachusetts statutes. Eligible securities, appropriate rating service and dividend policy follow.

Equities generally refer to the common or preferred stock in publicly-traded companies, but they may also be in the form of managed funds, which include such investment vehicles as mutual funds, exchange traded funds (ETFs) and other types of funds that function in a managed way but are not directly managed by the University's Investment Manager. Managed funds of this sort are acceptable in the University's portfolio if they are consistent with the standards that otherwise apply to equities.

Commented [FL9]: JD-Rating hurdles should be discussed with investment manager and final decisions determined. The same for dividend policy as it may differ between asset classes. They could be an advantage to reinvestment rather than income, just need to see by specific investment.

<u>Eligible Securities</u>	<u>Rating Service *</u>	<u>Dividend Policy</u>
Domestic Equities	S & P Stock Guide Rating of B+ or Better	Maximum Reinvestment Enhance Growth
International Equities	MSCI ACWI** Rating of B+ or Better	Maximum Reinvestment Enhance Growth
Total Equities (Blended)	Blend 60/40 S & P and MSCI Rating of B+ or Better	Maximum Reinvestment Enhance Growth

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Mutual Funds	Morningstar Three Star or Better	Maximum Reinvestment to Enhance Growth
Exchange Traded Funds	To Be Determined* Three Star or Better	Maximum Reinvestment to Enhance Growth
<i>* At <u>At</u> least annually, the Rating Service (i.e. benchmark) will be determined based upon mutual discussion and agreement between the investment manager and University management.</i>		
<i>** ACWI is an abbreviation for All-Country World Index, as published by MSCI.</i>		

"Alternative Investments" may include private (unregistered) securities such as hedge funds, private equity funds, venture capital funds, commodities, precious or industrial metals, etc. While these are not expressly prohibited in this policy, it is anticipated that they will be used sparingly if at all. This provision also applies to registered "liquid alternative" mutual funds that are designed to mimic private unregistered funds. To the extent that any Alternative Investments are used, they will be counted as Equities for the purpose of reviewing asset allocation.

3. Cash and Cash Equivalents:

Cash and cash equivalents are instruments that are relatively "liquid" in nature and are available for operational and/or investment opportunities. This component of the portfolio should be minimal.

Commented [FL10]: JD-% of cash held should be a discussion with the investment advisor as liquidity is now not a key driver.

4. Prohibited Investments:

Investment in derivative securities, forwards, swaps, futures of any type are explicitly prohibited via direct or indirect involvement under this policy.

5. Fossil Fuel and Alternative Investment Strategy:

The university's investment advisors are instructed to consider further divestment from direct holdings in the balance of the Carbon Underground 200 list to the extent the advisers believe it is financially prudent with the goal of achieving full divestment. The advisors are further instructed to invest in alternative and/or renewable energy companies, consistent with the parameters of this investment policy as they may deem financially prudent.

Commented [FL11]: JD-Is this required via state or federal law/statute?

REVIEW

This policy shall be reviewed ~~annually every three years~~ by the Vice President for Administration and Finance and the Investment Sub-Committee with changes approved by Finance and Capital Assets Committee. ~~Suggested changes or alterations will be reported to the Finance and Capital Assets Committee.~~

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INVESTMENT POLICY

(DRAFT 4 - 4/4/19)

STATEMENT OF PURPOSE

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SCOPE

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INVESTMENT SUB-COMMITTEE

A sub-committee will be formed called the Investment Sub-Committee and will oversee the investment portfolio, policy and the selection of an investment advisor. The sub-committee is established under the Finance and Capital Assets Committee who has formal authority over investments, as provided in the Trustee by Laws. The composition of the Investment Sub-Committee may have members other than trustees who can provide guidance but will not be voting members of the sub-committee. The sub-committee will be staffed by the Vice President for Administration and Finance and or their designee.

INVESTMENT OBJECTIVE

It is the investment objective of the University to establish and maintain an investment portfolio which is designed to provide for the University's cash flow requirements while also achieving long-term capital growth and appreciation of the portfolio. The basic objectives of the Investment Policy are:

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- a. Preservation of Capital and Safety of Principal – Investment of Westfield State University funds shall be undertaken in a manner that seeks to ensure the preservation of capital and safety of principal.
- b. Minimizing Price Volatility – This Investment Policy prohibits investments in securities with the potential for wide price volatility. (See Prohibited Investments).
- c. Return on Investment - Investment income is an integral part of the University's annual budget and long term viability. The portfolio of Westfield State University shall be designed to attain an optimal rate of return under shifting economic conditions and investment cycles.

ASSET ALLOCATION

The responsibility for establishing periodic asset allocation that is consistent with the objectives of the overall Investment Policy is under the purview of the Trustees Finance and Capital Asset Committee with recommendations from the Investment Subcommittee and with specific responsibilities assigned to the Vice President for Administration and Finance. The Investment Subcommittee shall review the allocations twice a year and will report up to the Finance and Capital Assets Committee with its findings. The investment mix selected should reflect the risk level periodically determined to be appropriate for the University investment portfolio. It is recognized that asset allocation is a critical strategy to achieve investment objectives.

Asset allocation of the University portfolio should be equivalent to approximately X% in equities, X% in fixed income and X% in cash. Managed funds that include both equity and fixed income underlying investments shall be distributed to the appropriate portfolio category for the purpose of reviewing asset allocation. Recognizing that from time-to-time during the course of business it is not realistic to expect complete compliance with this guideline, an acceptable range follows:

	<u>Goal</u>	<u>Acceptable Range</u>
Equities	X	X
Fixed Income	X	X
Alternative Investments	---	---
Cash	Minimal	X

Commented [FL1]: JD-We need to establish high level ranges for each category.

Any asset allocation not within these ranges should be communicated by the Investment Managers(s) to management as soon as practicable but no later than the next quarterly status report to the University. The portfolio should be re-balanced to fit within the acceptable ranges defined in this policy as soon as practical, taking investment risks into consideration. The Investment Manager(s) is expected to rebalance the portfolio at least annually. Rebalancing recommendations should be made to the Investment Subcommittee for approval.

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PROHIBITED INVESTMENTS

Investment in derivative securities, forwards, swaps, futures of any type are explicitly prohibited via direct or indirect involvement under this policy.

DELEGATION OF AUTHORITY

Oversight responsibility for the investment program is delegated to the Finance and Capital Assets Committee and includes asset allocation, and active management decisions consistent with this policy. No University official may execute or cause any investment transaction except as allowed or provided under the terms of this Investment Policy and specific investment procedures that may be periodically established by the Finance and Capital Assets Committee at the recommendation of the Investment Subcommittee. The University's investments shall be secured through third party custody and safe keeping procedures. Bearer instruments shall be held only through third party institutions (i.e. a custodian or a trustee).

Roles and Responsibilities

The Vice President for Administration and Finance (VPAF), with oversight from the Finance and Capital Assets Committee, shall have the overall responsibility for implementing the management of the Investment Policy. The Associate Vice President for Finance shall have the responsibility of implementing the investment program, including executing the related transactions, accounting and reporting of the activity. The Finance and Capital Assets Committee, upon recommendation by the Investment Subcommittee and University Management, will appoint the investment advisor/manager. The Investment Policy's related procedures shall comply with the University's Internal Control Plan.

ETHICS AND CONFLICT OF INTEREST

The Trustees, officers and employees of Westfield State University involved in the investment process are prohibited from personal business activities that could impair their ability to make impartial investment decisions. The perception of a conflict of interest must be avoided. All ethics rules and laws of the Commonwealth of Massachusetts are hereby incorporated by reference into this policy.

REPORTING

University management shall provide quarterly reports from the investment advisor, summarizing investment activity and detail to the Finance and Capital Assets Committee through the Investment Subcommittee.

AUDITS

The University retains the option to request an independent audit of the funds invested through the investment advisor.

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INVESTMENTS

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The University's investment portfolio, for purposes of this policy statement, shall consist of three major categories of financial investments: (1) fixed income - short and long term (bonds); (2) equity (stocks/managed funds); (3) cash or cash equivalents.

Total fees (advisory and expenses) for the Investment Advisor/Manager will be limited to 100 basis points unless approved by the Finance and Capital Assets Committee.

1. Fixed Income - short term and long term (bonds):

(a) *Fixed Income – short-term.* These are investments which have maturities of no longer than one year. The purpose of the fixed income short-term investment portfolio shall be to provide sufficient liquidity to meet institutional objectives. The use of this portion of the portfolio shall be consistent with management's anticipated cash flow needs and future investment opportunities.

(b) *Fixed Income – long-term.* These are investments which have maturities of more than one year from the date of investment. The purpose of the long-term portion of the investment portfolio shall be to maximize return within the context of other recognized needs and risks. The portfolio shall be considered for purposes of capital growth and the provision of long term funding of capital needs. Eligible securities and other restrictions are as follows:

1. U.S. Treasury and Federal Agency Securities

- a. Maximum size of portfolio - no limit
- b. Maximum lot size - no limit
- c. Mutual funds or ETFs consisting of individual securities that meet the above characteristics

2. Corporate Bonds

- a. Aggregate limit of all corporate bonds: 35% of capital (prudently diversified)
- b. All individual corporate bonds shall have a rating of Baa/BBB or better as published by Moody's or Standard & Poor's at the time of purchase
- c. Mutual funds or exchange traded funds (ETFs) consisting of individual securities that meet the above characteristics
- d. Mutual funds or ETFs holding broadly diversified portfolios of bonds with credit ratings above Baa/BBB as published by Moody's or Standard & Poor's at the time of purchase.

Commented [FL2]: JD-We may not need the 7 year limit.

Commented [FL3]: JD-This would need to fall under the overall allocation guidelines.

Commented [FL4]: JD-Need to fall under overall guidelines. 35% needs to tie in as well.

Commented [FL5]: JD-Discuss rating threshold with investment advisor to determine rate

Commented [FL6]: JD-Should be reviewed with advisor and below removed for rating level decided on above

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3. Municipal/Other Tax Exempt Issues

- a. Municipal bonds and other tax exempt bond issues offer an opportunity that allows investors to avoid payment of taxes on income or capital gains resulting from the investment. Since the University is a tax-exempt entity that does not pay taxes, municipal bonds and other tax exempt bond issues are generally not advantageous to the investment portfolio although not necessarily prohibited within the portfolio. Depending on market conditions, these instruments may be appropriate and attractive even without the benefit of the tax shelter.

2. **Equity (stocks):**

The purpose of the equity investment portfolio shall be to maximize return and provide a hedge against inflation through a diversified approach in compliance with applicable Massachusetts statutes. Eligible securities, appropriate rating service and dividend policy follow.

Equities generally refer to the common or preferred stock in publicly-traded companies, but they may also be in the form of managed funds, which include such investment vehicles as mutual funds, exchange traded funds (ETFs) and other types of funds that function in a managed way but are not directly managed by the University's Investment Manager. Managed funds of this sort are acceptable in the University's portfolio if they are consistent with the standards that otherwise apply to equities.

Commented [FL7]: JD-Important that investment manager/advisor understand the impact of tax exempt on all of our investments.

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<u>Eligible Securities</u>	<u>Rating Service *</u>	<u>Dividend Policy</u>
Domestic Equities	S & P Stock Guide Rating of B+ or Better	Maximum Reinvestment Enhance Growth
International Equities	MSCI ACWI** Rating of B+ or Better	Maximum Reinvestment Enhance Growth
Total Equities (Blended)	Blend 60/40 S & P and MSCI Rating of B+ or Better	Maximum Reinvestment Enhance Growth
Mutual Funds	Morningstar Three Star or Better	Maximum Reinvestment to Enhance Growth
Exchange Traded Funds	To Be Determined* Three Star or Better	Maximum Reinvestment to Enhance Growth

** At least annually, the Rating Service (i.e. benchmark) will be determined based upon mutual discussion and agreement between the investment manager and University management.*

*** ACWI is an abbreviation for All-Country World Index, as published by MSCI.*

Commented [FL8]: JD-Rating hurdles should be discussed with investment manager and final decisions determined. The same for dividend policy as it may differ between asset classes. They could be an advantage to reinvestment rather than income, just need to see by specific investment.

"Alternative Investments" may include private (unregistered) securities such as hedge funds, private equity funds, venture capital funds, commodities, precious or industrial metals, etc. While these are not expressly prohibited in this policy, it is anticipated that they will be used sparingly if at all. This provision also applies to registered "liquid alternative" mutual funds that are designed to mimic private unregistered funds. To the extent that any Alternative Investments are used, they will be counted as Equities for the purpose of reviewing asset allocation.

3. Cash and Cash Equivalents:

Cash and cash equivalents are instruments that are relatively "liquid" in nature and are available for operational and/or investment opportunities. This component of the portfolio should be minimal.

Commented [FL9]: JD-% of cash held should be a discussion with the investment advisor as liquidity is now not a key driver.

4. Prohibited Investments:

Investment in derivative securities, forwards, swaps, futures of any type are explicitly prohibited via direct or indirect involvement under this policy.

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5. Fossil Fuel and Alternative Investment Strategy:

The university's investment advisors are instructed to consider further divestment from direct holdings in the balance of the Carbon Underground 200 list to the extent the advisers believe it is financially prudent with the goal of achieving full divestment. The advisors are further instructed to invest in alternative and/or renewable energy companies, consistent with the parameters of this investment policy as they may deem financially prudent.

Commented [FL10]: JD-Is this required via state or federal law/statute?

REVIEW

This policy shall be reviewed annually by the Vice President for Administration and Finance and the Investment Sub-Committee with changes approved by Finance and Capital Assets Committee.

DRAFT

INVESTMENT POLICY

CURRENT COPY

STATEMENT OF PURPOSE

Chapter 15A of Massachusetts General Laws provides the Westfield State University Board of Trustees (Trustees) the authority to establish and manage trust funds. This Investment Policy is intended to guide the Trustees and University Administration in the investment of fund balances held in various University accounts.

SCOPE

This Investment Policy applies to funds that are not appropriated by the Commonwealth of Massachusetts. These funds are accounted for in the University's Financial Statements and are audited annually by an external auditing firm.

INVESTMENT OBJECTIVE

It is the investment objective of the University to manage the various funds so as to preserve and enhance, in real dollar terms, the principal capital and, at the same time, to create and realize a source of income for the operating and capital needs of the University.

- a. Preservation of Capital and Safety of Principal – Investment of Westfield State University funds shall be undertaken in a conservative manner that seeks to ensure the preservation of capital and safety of principal.
- b. Minimizing Price Volatility – This Investment Policy is ~~intended to discourage~~ prohibits significant investments in securities with the potential for wide price volatility, such as options, futures, derivatives, short purchases and sales, and the leveraging of the funds.
- c. Liquidity – Sufficient funds must be available to meet the University's projected cash flow needs throughout the year with particular attention to seasonal variations.

Return on Investment

1. Income – Investment income is an integral part of the University's annual budget and long term viability. The investment portfolio of Westfield State University shall be designed to attain the optimum rate of return under various economic conditions and during periodic economic cycles. The Trustees Finance and Capital Asset Committee with the Vice President, Administration and Finance, shall oversee the investment portfolio of the University on a quarterly basis and subsequently report its findings to the Trustees at its next meeting. The reports to the Trustees shall be conducted at least semi-annually.
2. Asset Appreciation – While there may be occasional periods of price instability or deflation, it is recognized that the economy has a bias toward consumer price inflation. Therefore, asset appreciation is a significant goal to ensure that the future value of the investment portfolio is equal to or exceeds its present purchasing value. This objective is intended to ensure that the University does not experience asset value depreciation because of inflationary price changes.
3. Asset Allocation – The responsibility for establishing periodic asset allocation that is consistent with the objectives of the overall Investment Policy is under the purview of the Trustees Finance and Capital Asset Committee with specific responsibilities assigned to the Vice President, Administration and Finance. The Finance and Capital Asset Committee shall review the allocations at least annually. The investment mix selected should reflect the risk level periodically determined to be appropriate for the University investment portfolio. It is recognized that asset allocation may be more important than individual investment selections.

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DELEGATION OF AUTHORITY

Management responsibility for the investment program is hereby delegated to the Vice President, Administration and Finance who shall manage the investment program, including the possible appointment of a professional fund manager, consistent with the Trustees approved Investment Policy. No University official may execute or cause any investment transaction except as allowed or provided under the terms of this Investment Policy and specific investment procedures that may be periodically established by the Finance and Capital Asset Committee. The University's investments shall be secured through third party custody and safe keeping procedures. Bearer instruments shall be held only through third party institutions (i.e. a custodian or a trustee).

Roles and Responsibilities-The Vice President of Administration shall have the overall responsibility for implementing, management and oversight of the Investment Policy. The Assistant Vice President of Finance shall have the responsibility of implementing the investment program, including executing the related transactions, accounting and reporting of the activity. The Investment Policy related procedures shall comply with the University's Internal Control Plan.

ETHICS AND CONFLICT OF INTEREST

The Trustees, officers and employees of Westfield State University involved in the investment process are prohibited from personal business activities that could impair their ability to make impartial investment decisions. The perception of a conflict of interest must be avoided. All ethics rules and laws of the Commonwealth of Massachusetts are hereby incorporated by reference into this policy.

REPORTING

University management shall provide quarterly reports to the Finance and Capital Asset Committee and semi-annual reports to the Board.

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INVESTMENTS

With stability, liquidity, capital growth and total return as essential objectives in this Investment Policy, available funds will be invested in deposits of federally insured financial institutions or direct and fully guaranteed U.S. government securities and/or its agencies, the Common Fund (Money Market Fund or Intermediate Fund), as the Massachusetts Municipal Depository Trust (MMDT) of the Commonwealth of Massachusetts, any funds offered by banking or financial institutions licensed to perform investment services in Massachusetts and Pooled Funds with similar investment objectives, including the Westfield State Foundation.

- a. Operating Needs – Sufficient liquid funds must be available during the year to meet the University's projected liquidity and cash flow needs. To meet the projected short-term liquidity and cash flow need, the University will maintain sufficient funds in its local operating bank accounts and MMDT.
- b. Investments – The Vice President, Administration and Finance may make investments for longer intermediate terms as it seems necessary and prudent under the circumstances, consistent with projected cash flow requirements.

REVIEW

This policy shall be reviewed annually by the Vice President, Administration and Finance.



Board of Trustees

April 24, 2019

MOTION

To engage the services of _____ in accordance with the Investment Management Services RFP (2019-004).

Kevin R. Queenin, Chair

Date