RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Endowment Management, Investment and Spending Policy

I. Introduction

The Riverside Community College District Foundation receives and manages endowment fund accounts created to support the goals of the Riverside Community College District and its Colleges. The purpose of this Endowment Management, Investment and Spending Policy is to assist the Board and the Finance Committee in effectively supervising and monitoring its investment activities and to provide guidance to investment managers employed to manage its assets on behalf of the Board.

II. Investment Management Goals

A. To operate in accordance with controls designed to safeguard Foundation assets. (Refer to Foundation policies and procedures for controls.)

B. To have liquid assets ready to meet the needs of the Foundation as they are anticipated to arise.

C. To achieve a balance of return and risk appropriate to the exercise of fiduciary duty, provide inflation protection through asset appreciation and preserve the value of the principal amount.

III. Authority and Responsibility

The Board of Directors has the ultimate authority and responsibility for management of the Foundation's funds. The Board has and shall have full plenary power and authority to hold, manage, invest and reinvest any principal hereunder and any increase or accumulation to it, and any income from it. It delegates many of the investment management functions to its Finance Committee and, as appropriate, to one or more Investment Managers. It is the Board's responsibility to instruct the Committee to change any investment management practices whenever it deems such revision necessary.

A. The Finance Committee and its Chairperson are appointed by the Board of Directors at the recommendation of the Board President. The Committee consists of members of the Board and acts on behalf of the Board with respect to most investment matters. The Committee's authority and principal responsibilities are to:

   i. Recommend investment strategies to the Board.

   ii. To recommend to the Board, if deemed appropriate, one or more Investment Managers for the purpose of managing Foundation funds and to direct the Investment Managers with respect to their execution.

   iii. To monitor the performance of the Foundation's investments to ensure compliance with investment policy, strategy and to assess results.

iv. To report to the Board quarterly on the strategies chosen, the performance of the Foundation's investments and a projection of the next 12-month cash outlay needs.

IV. Investment Guidelines

In setting investment strategy, the Finance Committee is responsible for limiting investments by Investment Managers in accordance with criteria appropriate to the purposes of the Foundation. Investment criteria should be consistent with the following guidelines:

A. Cash or equivalents - An amount equal to anticipated net cash outlays for the succeeding 12 months should be invested in certificates of deposit, deposit accounts**,** T-bills or other cash-equivalent instruments with appropriate maturities and with no significant risk of principal depreciation. Maturities on these investments are to coincide with projected net cash outlays. This amount, the "liquidity reserve," will be calculated at least quarterly. The amount in this category should not exceed approximately 15% of the total portfolio.

B. The balance of the Foundation's funds may be invested in longer-term assets with a higher return/risk profile, subject to the following limits:

i. The only permissible investments will be certificates of deposit, obligations of government or quasi-government entities, U.S. domestic debt obligations (investment grade), and common or preferred stocks of domestic and international corporations including the use of mutual funds or exchange-traded funds.

ii. Fixed income securities are to be used to provide income stability. The amount in this category should not be less than 25% nor more than 60% of the total dollar amount of the portfolio.

iii. Equities are desirable and should not be less than 30% nor more than 75% of the portfolio. The portfolio should be well diversified as to industry and geography. No more than 10% of the equities may be in securities of one issuer, and no more than 20% may be in one industry. No more than 20% of the total investment portfolio can be in the form of international equities.

iv. Alternative investments are permitted, so long as their aggregate weight does not constitute more than 10% of total portfolio assets. Alternative investments shall consist of investments in funds that are not traditional equity, fixed income, real estate, or cash/money market. Alternative investments maintain correlations that compliment traditional investment classes. Examples of alternative investments would include, but are not limited to, market neutral funds, global macro funds, merger/arbitrage funds, managed futures funds, commodity/precious metals funds, long-short funds, and absolute return funds. Because of the unique characteristics of these investments, investment managers will report specifically on these investments on a quarterly basis.

V. <u>Reporting</u>

Portfolio results should be measured over one, three and five year cycles, with the results compared to the appropriate indices and inflation. The Board shall receive account reports on a quarterly basis. In addition, the Board will be advised of significant deviations from the expected returns of the capital markets. Investment Managers will respond to inquiries and suggestions of the Board at all times.

VI. <u>Investment Return Allocation</u>

Investment return consisting of realized and unrealized gains and losses, interest and dividends will be allocated on a quarterly basis to all fully funded (net outstanding pledges) endowment fund accounts (except Osher endowed accounts), special campaign accounts established to support specific projects, and the unrestricted fund. The investment return allocation will be made proportionately to each account and fund as described above based on the end-of-the quarter individual account balance.

VII. <u>Endowment Spending Goals</u>

A. To provide current programs with predictable, stable stream of revenues;

B. To ensure that the purchasing power or real value of this revenue stream does not decline over time; and

C. To ensure that the purchasing power or real value of the Endowment assets does not decline over time.

VIII. <u>Endowment Spending Guidelines and Fees</u>

The purpose of the Endowment is to provide a perpetual source of operating support to endowed programs of the District and Colleges. The Finance Committee shall review investment earnings each year and recommend to the Board of Directors an allocation of total earnings from the portfolio for program use. It shall be the responsibility of the Finance Committee to periodically review the spending criteria against actual returns in order to recommend to the Board adjustments necessary for the preservation of purchasing power of the Endowment.:

A. The Foundation will distribute a maximum of 4.5% of a trailing three-year average of the total Endowment market value calculated on June 30 of each year. Earnings in excess of this spending rate will be reinvested in order to support the Endowment's growth.

B. A named endowment fund requires a minimum gift or pledge of $20,000. Endowment funds must be fully funded at the minimum required level within a maximum of five years. Funds that do not reach the minimum required level by the end of this period are subject to review and funds may be re-designated for current use at the discretion of the Foundation Executive Director. If such re-designation occurs, every attempt will be made to honor the original donor intent for the use of funds.

C. The Foundation shall assess an annual administrative fee of 1% of each endowment fund under management. This fee is used to pay expenses associated with the management of the funds, including but not limited to, accounting and auditing fees, expenses associated with communications with persons or entities for the purpose of fund management, fees incurred during the course of transactions involving fund assets and the cost of administrative oversight.

D. The Foundation also assesses a gift fee of 5% on every incoming gift. This fee is used to pay expenses associated with fundraising activities, creating and administering funds, gift processing and acknowledgment requirements, expenses associated with communications with persons or entities for the purpose of fund management, fees incurred during the course of transactions involving fund assets and the cost of administrative oversight.

Adopted by the Board of Directors:	November 15, 1994 (Investment Policy)
	February 28, 1995 (Spending Policy)
Amended by the Board of Directors:	September 17, 1996
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