

# STOCKTON UNIVERSITY



## PROCEDURE

### **Investment Procedure**

Procedure Administrator: Vice President for Administration and Finance  
Authority: N.J.S.A. 18A: 3b-6.g  
Effective Date: May 8, 201; April 1, 2016; November 15, 2017  
Index Cross-References: VI-56 – Investment Policy  
Procedure File Number: 6410  
Approved By: Harvey Kesselman, President

### **1. Purpose**

To establish operating procedures for the investment objectives of cash not required for operations.

### **2. Roles and Responsibilities**

#### **Board of Trustees**

The Board of Trustees is ultimately responsible for establishing the Investment Policies and Objectives for the University's long term investment portfolio. While the Board has delegated certain of its responsibilities to the Investment Committee, the Board receives periodic reports and recommendations for asset management from the Investment Committee or its designee. Additionally, it is the intent of the Board of Directors to comply with both 3B:20-11 known as the "Prudent Investors Act" and P.L. 2009, c.64, (C.15:18-25) known as the "Uniform Prudent Management of Institutional Funds Act".

#### **Investment Committee**

Oversight for the Investment Fund shall be provided by the Investment Committee, a committee of the University's Board of Trustees consisting of one or more Board members, the Vice President for Administration and Finance and other members nominated by the President and approved by the Board.

The Investment Committee shall, among other things:

- Review this Investment Policy as appropriate but not less than annually and recommend Policy changes to the Board
- Ensure the University's investment portfolio is being managed by the Advisors to within the stated objectives and policies established by the Board
- Agree to a target asset allocation reflecting the risk tolerance of the Fund

- In consultation with the President and the President's designees, select or remove investment managers and custodians to achieve the University's objectives
- Establish benchmarks and monitor the Fund's performance
- Monitor the performance of all investment managers using specific and appropriate benchmarks on a regular basis. Monitor the Investment Advisor's(s') compliance with University's investment policies and benchmarks. Communicate any changes in policy to the Investment Advisor(s).
- The Investment Committee shall report summary performance results and activity relative to guidelines and objectives status of the investment portfolio at regular meetings of the Board of Trustees.
- Investment Advisor(s) shall be selected through a competitive process with input from the Vice President of Administration and Finance.

### **Staff**

Though the Committee will oversee the management of the University's investment assets, the Vice President of Administration and Finance, with approval of the President, shall monitor Investment Advisors and Investment Manager compliance with University investment policies and procedures and shall communicate any changes in those policies and procedures to the Advisor(s). The Vice President of Administration and Finance shall be responsible for communicating with the Investment Advisor(s) on regular and routine matters and will communicate with the Committee and Board as developments dictate throughout the year. Additional Staff duties include:

- Measure, evaluate and report on Investment Advisor(s) and overall portfolio performance and risk characteristics, as well as compliance with investment guidelines, process and organization.

### **Investment Advisor(s)**

Investment Advisor(s) will:

- Behave as a fiduciary to the Stockton University Investment Fund.
- Pursuant to the prudent expert standards, as defined in the Prudent Investors Act, invest University assets with the care, skill, prudence and diligence that an expert investment manager, familiar with such matters and acting in a like capacity, would use in the investment and management of such assets.
- Allocate assets and adhere to the investment objectives, policies and guidelines prescribed by this Investment Policy Statement and in accordance with applicable laws
- Advise the Investment Committee on all investment-related issues with regard to the Fund.
- Select appropriate underlying Investment Managers and individual investments.

- Establish a portfolio that will allow a designated percentage of the assets to be available as cash within a designated period of time. The designation of percentages and time periods will be established by the Committee in consultation with the President and the President's designees.
- Report investment results to the committee as described below.
- Maintain compliance with the tenets of this policy document as outlined below.

### **Investment Managers**

Investment managers will:

- Pursuant to the prudent expert standards, as defined in the Prudent Investors Act, invest University assets with the care, skill, prudence and diligence that an expert investment manager, familiar with such matters and acting in a like capacity, would use in the investment and management of such assets.
- Behave as a fiduciary to the Stockton University Investment Fund.
- Each Investment Manager will report on a quarterly basis its total return and rates of return net of all commissions and fees, and segmented at the level of each asset class in relevant indices. Investment Managers will communicate regularly with the Committee and the University's staff concerning their investment strategy and outlook.
- Report investment results to the Advisor.
- Maintain compliance with the tenets of this policy document as outlined below.
- Adhere to directives from the Advisors or the University to liquidate or transfer assets.
- Minimize total transaction costs incurred in managing University assets.

### **Custodian Bank**

For all designated assets of the University held at a custodian (Designated Assets), the custodian shall:

- Provide safekeeping of securities, collect dividends and interest earned, make disbursements and receive cash flows as directed, and provide an annual SOC 1 Report.
- Provide to the University and the Investment Advisor(s) complete and accurate accounting records including each transaction, a listing of all holdings valued in accordance with industry standards, income flow and cash flow by asset class, investment manager, and total assets.
- Monitor and reconcile all trading activity.
- Meet periodically with the University, the Committee and/or their designee to report on the University's investment activity and bank organizational issues.

### 3. Asset Allocation

Limits for each of the Advisors, which govern the Funds' exposure to different asset categories, are established within broad ranges. The guide below outlines the asset class ranges:

The Fund will be broadly diversified among and within asset classes to limit volatility and the impact of material declines in any single market on total fund results. It is also understood that short term credit may be used to provide for the University's liquidity needs. A credit facility can be employed in order to limit the disruption of the long term asset allocation.

<b>Fund Segment</b>	<u>Percent of Total Fund Allocation <sup>(1)</sup></u>	
	<b>Minimum</b>	<b>Maximum</b>
<b>Marketable Investments</b>		
Equity	0%	75%
<b>Total Equity</b>	<b>0%</b>	<b>75%</b>
<b>Fixed Income</b>	<b>20%</b>	<b>75%</b>
<b>Short Term</b>	<b>5%</b>	<b>100%</b>
<b>Non-Traditional Investments</b>		
Long Term Illiquid Investments <sup>(2)</sup>	0%	10%
Other Diversification Strategies <sup>(3)</sup>	0%	20%
<b>Total Non-Traditional Investments</b>	<b>0%</b>	<b>30%</b>
<b>Total Fund</b>	<b>100%</b>	

<sup>(1)</sup> The Fund will rarely be fully invested at the minimum or maximum limits, and some assets will be held in cash.

<sup>(2)</sup> Long Term Illiquid Investments such as partnership investments in private equity, venture capital or real estate are investments where the manager draws down capital over time and returns capital at its own choosing.

<sup>(3)</sup> Other Diversification Strategies such as hedge funds are redeemable by the investor (subject to liquidity and potential gate provisions).

In general, higher risk is associated with higher expected returns. The Board and the Committee regularly examine both the University's risk tolerance and risk preference when formulating investment policy. Risk tolerance characteristics include the following objectives:

- Maintaining adequate liquidity to meet the University's cash flow requirements.
- Achieving a return sufficient to preserve and enhance the long term purchasing power of the University.
- Setting aside short term funds to meet capital expenditure requirements.

## **4. Investment Performance Objectives**

Investment performance objectives are necessary for proper measurement and evaluation of the success of the investment program. The performance benchmarks for the University have been established in consideration of the following objectives:

- The long term need to produce returns exceeding inflation by 2.5% annually.
- A Public Market Benchmark, as described below.
- Development of asset allocation policies.
- Coordination of investment manager structures implemented by the Investment Advisor(s).

Investment performance is best measured over a period of 3 to 5 years. Total Fund, Asset segment and individual manager performance will be compared to appropriate benchmarks as specified in the chart below. The committee understands that risk must be borne by the investment funds in order to seek real returns of 2.5% annually. At times, this necessary risk may conflict with the desire of the University to maintain a minimum balance.

<b>Asset Segment/Strategy</b>	<b>Benchmark*</b>
<b>Total Fund:</b>	
<b>Primary Benchmark</b>	Consumer Price Index (CPI) plus 2.5%
<b>Market Benchmark (Total Fund)</b>	35% Russell 3000 Equity Index / 15% MSCI All-Country ex-USA Equity Index / 45% Barclays Capital Universal Bond Index/5% T-Bills
<b>Underlying Investment Managers</b>	As defined by each particular strategy

\*Where appropriate, benchmark return comparisons will be made net of all fees. Total Fund returns will be compared to an appropriate peer universe, gross of fees.

## **5. Evaluation and Review Process**

### **Total Fund Review**

The Committee will periodically review the University's investment program to determine whether:

- The investment program adheres to established investment policies and guidelines.
- Each Investment Advisor adheres to investment guidelines and relevant benchmarks.
- Fund investment policies continue to be appropriate regarding allocation of assets among asset classes, investment manager structure, and investment objectives and guidelines.
- Investment management fees are reasonable.

### **Investment Advisor Review**

The Committee will, at least annually, meet with each investment advisor to review investment results, expected performance, economic outlook, current strategy, organizational characteristics, and investment approach. The Committee may approve investment objectives and guidelines, contract amendments, and/or other special requests of the investment manager. The Committee will review each advisor, net of fees, against the market benchmark stated herein..

### **6. Proxy Voting Policy**

Investment managers are delegated with the responsibility of voting proxies in the best interests of the University’s investment portfolio.

### **7. Conflict of Interest**

It is the policy of the Board of Trustees to avoid conflicts of interest in its operations, including the selection of Investment Managers or funds. Each member of the Board, Investment Committee, and administration shall disclose the nature of any relationship with any Investment Advisor or Manager of any fund under consideration and recuse themselves from decisions where they have a potential conflict of interest. No independent investment manager (or Advisor) retained by the University shall be a party to any transaction or have a financial or other interest in any Investment Manager providing services to the University or any fund in which the University has an investment.

Approval History:

	Date
President	11/15/17