



## Tyler Junior College Foundation Investment Policy

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### ***Statement of Purpose***

The investment committee, appointed by the Tyler Junior College Foundation Board of Directors, sets forth herewith its statement of investment policies, objectives, and guidelines for the assets of the Foundation (“the Fund”) entrusted to it for supervision, guidance, and investment management.

This statement is set forth in order that:

- There is a clear understanding on the part of the investment committee and the Board of Directors of the policies and objectives employed in the management of the Foundation's assets.
- The investment committee and the Board of Directors have a basis for understanding the investment process and the evaluation of investment performance.

It is the intent of this statement to establish an attitude and/or philosophy to guide each investment manager toward the performance desired. It is intended that objectives be sufficiently specific to be meaningful, yet sufficiently flexible to be practical.

### ***Statement of Responsibilities***

The responsibility for investment policy results rests with the TJC Foundation Board of Directors. The Board believes that this responsibility is best discharged by delegating certain authority to the Investment Committee and investment management firm chosen to oversee endowment assets. The determination and selection of specific investments and securities will generally be delegated to the investment management firm selected by the Committee and approved by the Board, but are to conform to the guidelines as described by this investment policy.

### ***TJC Foundation Endowment Fund Objectives***

The Foundation's investment objectives and goals are established to safeguard and preserve the real purchasing power of the Portfolio while earning investment returns that are commensurate with the Foundation's risk tolerance and sufficient to meet its operational requirements. The investment objectives and goals for the Fund are set forth below.

The primary investment objectives of the Fund are to:

- Preserve and safeguard real purchasing power of Portfolio.
- Earn investment returns that are commensurate with Foundation's risk tolerance and sufficient to meet its operational requirements.

Performance goals on an annualized, net-of-fees basis, will be expected to:

- Provide income for the benefit of Tyler Junior College at a consistent level as adjusted for inflation (CPI) annually.

### ***TJC Foundation Endowment Fund Investment Philosophy***

The Fund has a long-term investment horizon and believes that asset allocation is the major determinant of investment performance. Consequently, a long-term asset allocation plan, consistent with the Fund's investment objectives and performance goals will be maintained.

- **Preservation of Purchasing Power.** The Foundation aims to at least preserve the real purchasing power of its assets over time by seeking returns on its investments that are in excess of the spending rate (described below) and the rate of inflation.
- **Long-Term Growth.** The Foundation seeks to achieve growth in its assets in excess of inflation by emphasizing long-term investment fundamentals in structuring its investments.
- **Time Horizon.** The Foundation intends to invest for the long-term, with the total return on the Portfolio evaluated on a five-year rolling basis. It is recognized that not every five-year period will meet the Foundation's objectives, but the Foundation aims to attain its objectives over a series of five-year periods. The Foundation will monitor shorter-term investment results and trends while focusing on long-term results.
- **Risk Tolerance.** The Foundation seeks to control risk and reduce the volatility in its Portfolio through diversification. The Foundation recognizes and acknowledges that some risk must be assumed in order to achieve the long-term investment objectives of the Portfolio.
- **Liquidity.** In order to prevent a possible loss upon the forced sale of any security or securities to meet a specific funding requirement, the committee will advise the investment manager sufficiently in advance of any expectation of withdrawal. This policy will be communicated to all departments, schools, etc., of Tyler Junior College to prevent resulting problems. A schedule of anticipated funding should be provided to the investment manager at least six months in advance of the funding date.

### ***Investment Program Strategy***

The Fund shall be allocated across a number of investment classes to provide diversification and achieve the Fund's investment objectives. The following table defines the Fund's target asset allocation and range for each asset class:

## Target Asset Allocation Table

<b>Asset Class</b>	<b>Min. Wt.</b>	<b>Target Wt.</b>	<b>Max Wt.</b>
<b>Investment Grade Fixed Income</b>	<b>25%</b>	<b>30%</b>	<b>65%</b>
<b>Non-U. S. and U. S. Equity Securities</b>	<b>35%</b>	<b>55%</b>	<b>75%</b>
<b>Alternatives</b>	<b>0%</b>	<b>15%</b>	<b>25%</b>
<b>Cash</b>	<b>0%</b>	<b>0%</b>	<b>10%</b>

The investment committee is responsible for selecting one or more investment managers to provide professional management of Foundation assets. The committee's selection is subject to an individual or firm who is established, financially sound and proven in managing funds consistent with the Foundation's goals. Every three years, the investment committee will oversee a Request for Proposal process to evaluate current and potential investment services firms.

### ***Rebalancing***

In the event that actual portfolio positions in asset classes or investment types move outside the ranges indicated due to market forces that shift relative valuations, the TJC Foundation staff will immediately report this situation to the Investment Committee and take steps to rebalance portfolio positions back within the policy ranges as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the asset values could warrant requesting of approval from the TJC Board of Directors to waive immediate remedial action.

The purpose of rebalancing is to maintain the long-term policy asset allocation within the targeted ranges while contributing to controlling portfolio risk. The assets will be rebalanced within the stated ranges on a uniform basis to reduce portfolio expenses as far as practicable as defined in the Target Asset Allocation Table. The portfolio will be evaluated quarterly by the members of the Investment Committee charged with the oversight of the portfolio's investments and rebalanced at least annually.

### ***Spending Policy***

The importance of private gifts to Tyler Junior College's future is increasing each year. Like many other publicly supported institutions in Texas, the margin of excellence in our activities is dependent upon endowment gifts. TJC must have adequate endowment resources to ensure the best faculty, the brightest students and the most responsive programming. A solid and stable endowment base can transform an adequate community college into the very best in the nation.

In an effort to strengthen endowment funds and provide long-term growth for the benefit of the college, the Tyler Junior College Foundation must continue to manage its assets and review its spending policy. The Foundation is committed to doing all that it can to ensure, in perpetuity, a reliable and secure source of funds for TJC's programs and priorities.

- A spending "cap" of 4.5% and a "floor" of 0% shall be required on all spending policies adopted by the Tyler Junior College Foundation Board of Directors.
- By March 1st of each year, the Tyler Junior College Foundation Board of Directors shall adopt a spending policy payout rate effective for the following academic year beginning September 1st through August 31st.
- All foundation endowment accounts will follow the investment policy and spending policy in effect regardless of the date of its establishment. **All other endowment or quasi-endowment accounts will follow investment and /or spending requirements as intended by the donor and as reflected in the specific endowment agreement.**
- The TJC Foundation Endowment Fund investment and spending policies comply with the Uniform Prudent Management of Institutional Funds Act as enacted by the State of Texas September 1, 2007.

### ***Investment Management Policies, Guidelines and Restrictions***

#### **Diversification**

In order to achieve the stated objective of preserving principal and providing income, the Foundation's assets are to be invested in a diversified portfolio of fixed income and equity securities. Fixed income investments are to provide stability of principal and income. No investment shall be made that will cause the total investment in fixed income securities issued or guaranteed by any one person, firm, or corporation to exceed five percent of the then-market value of the Foundation; provided, this restriction shall not apply to either direct or indirect obligations of the U.S. Government and its fully guaranteed agencies.

The investment policies, guidelines and restrictions in this policy statement are a framework to help the Fund and its Investment Manager(s) achieve the investment objectives at a level of risk deemed acceptable. The Fund will be diversified both by asset class and within asset classes. Within each asset class, securities will be diversified among economic sector, industry, quality, and size. The purpose of diversification is to provide reasonable assurance that no single security or class of securities or maturities thereof will have a disproportionate impact on the performance of the total fund. As a result, the risk level associated with the portfolio investment is reduced.

#### ***Investment Grade Fixed Income Securities***

Fixed income investments are to be made in U. S. Government, U. S. Agency,

U. S. Agency MBS, FDIC insured securities, corporate bonds (minimum BBB rated or better at the time of purchase.)

The purpose of fixed income investments is to provide diversification and a predictable and dependable source of current income. It is expected that fixed income investments will not be totally dedicated to the long term bond market, but will be flexibly allocated among maturities of different lengths according to interest rate prospects. Fixed income instruments should reduce the overall volatility of the Fund. Fixed income also includes FDIC insured money market instruments, certificates of deposit and, time deposits and, U.S. Treasury and agency obligations. Investments in fixed income securities should be managed actively to pursue opportunities presented by changes in interest rates, and maturity premiums. These investments will be subject to the following limitations:

- The average duration of the Fund should not exceed seven years without approval of the investment committee;
- For U. S. Agency MBS, average duration will be measured using the six-month average

### ***Alternatives***

Alternative Investments are designed to provide returns that are not correlated with returns of traditional stock and bond investments. These investments are expected to provide diversification and the opportunity for capital appreciation. Permitted securities would include institutional blind pool limited partnerships that make private debt and equity investments in publicly traded companies, privately held companies, commodities and real estate as well as hedge funds and other publicly traded derivatives-based strategies. ETF's representing exposure to commodities, real estate or other investments not correlated to stocks or bonds may also be considered. Alternative investments may also include direct ownership interests in oil and gas, farm and ranch, timberland and real estate assets.

### ***Short Term Investment Pool***

The Foundation may from time to time invest funds required for short-term obligations such as operating funds or capital campaign contributions. These funds will be invested for safety and income with maturities aligned with anticipated expenditures. The investments may include U.S. Government, U.S. Agency, U.S. Agency MBS and FDIC insured securities. Corporate Bonds are permissible as long as the individual bond ratings are "at least" investment grade at the time of purchase with the average rating of the corporate securities to be A or better.

## ***Restrictions***

The TJC Foundation Board of Directors may waive or modify any of the restrictions in these guidelines in appropriate circumstances. Any such waiver or modification will be made only after a thorough review of the Investment Manager(s) and the investment strategy involved. An addendum supporting such investments will be maintained as a permanent record of the Board of Directors.

## **Measurement of Performance and Reporting Requirements**

Performance will be measured and evaluated monthly. However, the Board of Directors will review overall performance at least semi-annually. This review will relate performance versus overall objectives.

The Investment Committee will review each manager's investment performance relative to the performance objective, risk guidelines and the manager's stated investment philosophy.

## **Review Meetings and Communications**

It is the desire of the Investment Committee to meet at least quarterly with the investment managers to provide the following:

- Review the past, present, and prospective economic climate in relation to investment strategy.
- Allow the investment committee to understand the investment strategy being used to fulfill the stated objectives.
- Permit the investment committee to understand the risk levels of the securities represented in the portfolio.
- Review trends in performance levels in relation to stated objectives.
- Review the Foundation Investment Policies, Objectives, and Guidelines.

Other communication between the investment manager, the investment committee, and the Board of Directors will be as warranted.