

3354:1-20-07 Investment policy

(A) The purpose of the Investment Policy is to assist Cuyahoga Community College (Tri-C), members of Cuyahoga Community College's Investment Committee (Committee) and its Investment Advisor, Officers and Directors of the College (Directors), and any other external parties to the College in the definition and administration of the Investment Policy for Cuyahoga Community College in order to effectively supervise, monitor, and evaluate the College's investment program.

(B) Investment Policy Goals:

- (1) Stating in a written document the College's attitudes, expectations, objectives, and guidelines regarding investment of the College's financial assets.
- (2) Setting forth an investment structure for managing the College's assets. This structure includes identification of asset classes, strategic asset allocation, and acceptable asset ranges above and below the strategic asset allocation. This structure is expected to produce a sufficient level of overall diversification and total investment return over the College's investment time horizon while operating with current ORC requirements.
- (3) Providing guidelines that control the level of overall risk and liquidity assumed for the investment portfolio so that all assets are managed in accordance with stated objectives (below).
- (4) Encouraging effective communications between College Board members, the Investment Committee including its Investment Advisor, and Officers, Directors, and staff of Cuyahoga Community College.
- (5) Establishing formal criteria to monitor, evaluate, and compare, on a regular and ongoing basis, the performance results achieved.
- (6) Complying with all applicable fiduciary, prudence, due diligence requirements, and with all applicable laws, rules and regulations from various local, state, federal, and international political entities that may impact fund assets.

This Investment Policy has been formulated based upon consideration by Cuyahoga Community College of the financial implications of a wide range of policies, and describes the prudent investment process that the College deems appropriate.

(C) Statement of Objectives

The objectives that the College has established in conjunction with a comprehensive review of the current and projected financial requirements are as follows:

- (1) The strict adherence to the Ohio Revised Code and the authority granted under Ohio Revised Code §3354.10(B), whereby eligible District funds may be invested according to the provision of Ohio Revised Code §3345.05. Specifically:
 - (a) Cash Equivalents & Fixed Income: A minimum of 25% of the average amount of the College's investment portfolio over the course of the previous fiscal year must be invested in securities of the United States government or of its agencies or instrumentalities, the treasurer of state's pooled investment program, obligations of this state or any political subdivision of this state, certificates of deposit of any national bank located in this state, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal

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home loan bank, money market funds, or bankers acceptances maturing in two hundred seventy days or less which are eligible for purchase by the federal reserve system, as a reserve.

(b) Longer Term Equity Investments: A maximum of 75% of the average amount of the College's investment portfolio over the course of the previous fiscal year may be invested as detailed in ORC §3345.05 (C) (2).

(c) Hire an Investment Advisor. The Investment Advisor must:

(i) Be licensed by the division of securities under section 1707.141 of the Ohio Revised Code or be registered with the Securities and Exchange Commission.

(ii) Have experience in the management of investments of public funds, especially in the investment of state government investment portfolios or be an eligible institution referenced in section 135.03 of the Ohio Revised Code

(2) The primary objective will always be the long-term preservation of the corpus, followed by the growth of the corpus.

(3) The minimization of idle cash while simultaneously providing adequate liquidity for the College to meet its daily financial obligations.

(4) To control costs of administering & managing the fund.

(5) The desire of the College is to maintain the corpus while generating a target return relative to a weighted- average of the relevant market indices.

(6) To optimize return of the portfolio with reasonable and prudent levels of risk.

(7) To maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy, while having the potential to produce positive real returns.

(8) To provide an equity/fixed income portfolio of readily marketable assets with an asset allocation weighted toward equity investments that are diversified among asset classes and investment styles in order to minimize the risk of large losses.

(D) Long Term Pool ("Rainy Day Fund")

(1) As set forth by Ohio Revised Code, the College will maintain, at a minimum, 25% of its total portfolio in Cash Equivalents and Fixed Income instruments as defined above. The remaining portion may be invested into a Long Term Pool. Monies placed into this Fund will be reviewed annually by the Board to determine the appropriate amount of the College's investments that may be maintained in this Fund. As the name suggests, the monies in this Fund will be invested with a long-term time horizon and will be left to appreciate over time for the future benefit of the College with the exception of the following:

(2) Should an unforeseen and previously unencountered event were to occur where an additional distribution from this Fund would be necessary, a recommendation must be made by the Investment Committee and approved by the Board. Monies in the Long Term Pool will be reviewed collectively with the entire portfolio to ensure that the College's portfolio, in the aggregate, is in compliance with ORC. The Treasurer, in consultation with the Investment Committee Chair, maintains the authority to sell any investments, to realize gains on total

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aggregate contributions, and to reinvest proceeds within the Long-Term Pool. The Treasurer shall use the following guidelines for such action:

- (a) The Long-Term Pool exceeds 105% of total aggregate contributions
- (b) If in any three month period, the Pool's return exceeds 5%

(E) Investment Committee

- (1) **Composition / Backgrounds.** The Investment Committee will consist of three voting Board members. It may have up to two non-voting, non-College, non-Foundation members. The Committee will be supported by the Treasurer and the Investment Advisor, neither of whom will be members. Desired Committee member backgrounds are executives in banking and finance, accounting, and community financial or investment experts.
- (2) **Responsibilities.** The Investment Committee meeting schedule will follow the same frequency as that of the College Board of Trustees, but in no event shall the Investment Committee meet less than quarterly. Their duties are to review and recommend revisions to this Investment Policy, provide the Board advice and recommendations on its investments, and retain the services of an Investment Advisor. In addition, fiduciaries will discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

(3) Ethics.

- (a) Board members, College officers, and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program or which could impair their ability to make impartial investment decisions. Any non-voting advisory members appointed to the Investment Committee under College Bylaws shall file with the Ohio Ethics Commission the same financial disclosure statement as is required to be filed by all voting Trustees. Such financial disclosure statement shall be filed at the same time the financial disclosure statements of voting trustees are filed.
- (b) Employees must disclose personal investments which could be affected by investment decisions made for the College.
- (c) The President of the College may direct any employee involved in the investment of College funds to comply with any appropriate provision of the Ohio Ethics Law.

(F) Investment Advisor(s).

- (1) It is a requirement of the College to retain one or more independent and objective investment advisors to assist in the selection, monitoring, and reporting of College investments and their performance. In addition, if desired by the Investment Committee, in the selection, reporting, and evaluation of investment manager performance. In regards to the retention of the services of any Investment Advisor, the Investment Committee or designee shall obtain from all Investment Advisor candidates under consideration written disclosure of all affiliations, cross-ownership arrangements, referral arrangements, discounts, compensation arrangements, and any other business relationships then existing or then being negotiated between the Investment Advisor candidate and any Investment Manager within the universe of managers monitored by such Investment Advisor.

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- (2) Furthermore, after an Investment Advisor has been retained by the Investment Committee, prior to any vote by the Investment Committee and the College's Board of Trustees relating to the retention or termination of the services of a particular Investment Manager, the Investment Committee or designee shall obtain from the Investment Advisor written disclosure of all affiliations, cross-ownership arrangements, referral arrangements, discounts, compensation arrangements, and any other business relationships that may then exist or that are then being negotiated between the Investment Advisor and the Investment Manager whose termination or retention is being considered. The term "business relationships" as used in the preceding provisions of this paragraph refers to those relationships considered conflicts of interest under the Ohio ethics law as applicable to Cuyahoga Community College.
- (3) Finally, the Investment Advisor(s) will provide the Investment Committee their most recent ADV form and each subsequent update for the duration of the relationship (the ADV form, filed with the U.S. Securities & Exchange Commission, details whether the Advisor is properly registered and has two parts. Part 1 has information about the Advisor's business and whether they've had problems with regulators or clients. Part 2 outlines the advisor's services, fees, and strategies).

(G) Portfolio: Long Term Pool / "Rainy Day Fund"

- (1) Time Horizon._The long term investment guidelines and the portfolio's strategic asset allocation are based upon an investment horizon of greater than six (6) years (a full market cycle is generally five to seven years), so that interim fluctuations should be viewed with appropriate perspective.
- (2) Risk Tolerances._In establishing the risk tolerances of the College, the ability to withstand short and intermediate term variability in long term investment performance has been considered. The College's current financial condition, plans for the future and other economic and market factors suggest collectively that the portfolio may experience some interim fluctuations in market value and total return in order to achieve long-term objectives.
- (3) Performance Expectations Based on historical experience, the College is projected to achieve a minimum annual real rate of return of approximately 5% after deducting for advisory, money management, custodial fees, and total transaction costs (GDP deflators will be used as the measure of inflation in calculating real returns). It is recognized, however, that the expected rate of return is based upon projections developed from historical data and projections of likely future returns. As such, the College will regularly review the performance of the benchmark indices to determine if the expectations for the asset classes utilized are reasonable in light of actual investment experience (the Investment Committee is responsible for reviewing the investment experience).

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- (4) The College's Investment Advisor will report on a monthly basis to the Investment Committee the latest monthly results measured against the indices shown below and peer groups, as applicable to the investments being held at that time.

Asset Class	Benchmark Index
Large Cap Equities –Value	Russell 1000 Value
Large Cap Equities – Core	S&P 500
Large Cap Equities –Growth	Russell 1000 Growth
Mid Cap Equities – Core	Russell Mid Cap
	Russell Mid Cap Value
	Russell Mid Cap Growth
Small Cap Equities – Core	Russell 2000
International Equities	MSCI ACWI ex. U.S.
Fixed Income	Barclays Aggregate Bond
Alternative Investments	HFRI HFoF
Cash	3-month Treasury Bill

(H) Asset Allocation.

- (1) Based on balancing the risks and rewards of market behavior, the following asset classes and policy ranges are selected for the Long Term Pool/"Rainy Day Fund":

Asset Class	Policy Range
Large Cap Domestic Equity	25% - 35%
Mid Cap Domestic Equity	0% - 10%
Small Cap Domestic Equity	0% - 8%
Total Domestic Equity	28% - 48%
International Equity	12.5% - 22.5%
Total Equity	45% - 65%
Alternative Strategies*	0% - 22.5%
Total Fixed Income	17% - 37%
Cash & Cash Equivalentents	0% - 5%

- (2) Positions in Alternative Investments must be recommended by the Investment Advisor and approved by the Investment Committee in advance of any action.
- (3) Re-balancing of Strategic Allocation. Depending upon market conditions, the percentage allocation to each asset class may fluctuate within the above policy ranges. Such strategic allocations should be reviewed and approved by the Investment Committee Chairman and the College's EVP / Treasurer on an ongoing basis. In the event that the allocation to a certain asset class falls above or below the above established ranges, the Advisor should make a recommendation to the Investment Committee to rebalance the portfolio as quickly as practical, typically within 30 days.

(I) Investment Manager Guidelines.

(1) Assets will be managed externally by SEC-registered investment managers, FDIC-insured banks, state- or Federally-regulated banks or trust companies using separate accounts, mutual funds or commingled funds. Multiple managers may be used within each asset class. Where commingled or mutual funds are used, the investment advisory agreement or published prospectus will be the governing document for the commingled or mutual funds, notwithstanding the other provisions of this Investment Policy. The College's Investment Advisor will still monitor all of the College's commingled or mutual funds and make recommendations when appropriate.

(2) Equity Managers - Large Cap Domestic, Mid Cap Domestic, Small Cap Domestic, and International

(a) Types of Securities

(i) Asset Class

(a) Large Cap Domestic - common stocks or equivalents listed on an established stock market (e.g., NYSE, AMEX, NASDAQ) and readily marketable with market capitalization generally exceeding \$5 billion. Non-marketable securities may not be purchased or held without prior approval from the Committee. As used herein, "generally exceeding \$5 billion" means that greater than 67% of the value of the portfolio is invested in securities when the market capitalization of which exceeds \$5 billion.

(b) Small/Mid Cap Domestic - common stocks or equivalents listed on an established stock market (e.g., NYSE, AMEX, NASDAQ) and readily marketable with market capitalization generally exceeding \$500 million. Non-marketable securities may not be purchased or held without prior approval from the Committee. As used herein, "generally exceeding \$500 million" means that greater than 67% of the value of the portfolio is invested in securities when the market capitalization of which exceeds \$500 million.

(c) International - common stocks or equivalents listed on an established stock market (e.g., NYSE, AMEX, NASDAQ, FTSE, NIKKEI, DAX) and readily marketable with market capitalization generally exceeding \$1 billion. Non-marketable securities may not be purchased or held without prior approval from the Committee. As used herein, "generally exceeding \$1 billion" means that greater than 50% of the value of the portfolio is invested in securities when the market capitalization of which exceeds \$1 billion.

(b) Diversification

(i) Equity Accounts – Each investment manager should diversify the portfolio in an attempt to minimize the impact of substantial losses in any specific industry or issue. Therefore, each equity account may not:

- (ii) Invest more than approximately 5% of the account valued at cost in a given issuer
 - (iii) Hold more than approximately 10% of the account valued at market in a given issuer
 - (iv) Large Cap, Mid Cap and Small Cap Domestic - Allow any one sector to exceed 30 percentage points or 2 times the sector weighting of the relative benchmark whichever is greater, absent Committee approval. Additionally, domestic equity managers shall limit international-domiciled securities to 10% of their portfolio value, absent Committee approval.
 - (v) International – Allow any country weighting in a portfolio to be more than 15 percentage points above the country weighting within the MSCI EAFE Index, and limited emerging market exposure to 25% of total international exposure.
- (c) Quality
- (i) Equity Issues - Convertible bonds will be considered as an equity investment and must be rated at least “Baa/BBB” by a major rating service (e.g. Moody’s or Standard & Poor’s) or equivalent, unless otherwise approved by the Committee.
 - (i) Cash Equivalents - Limited to U.S. Treasuries and Agencies and high quality corporate issues rated A-1, P-1 or F-1, or higher.
- (d) Prohibited Investments – The following categories of securities and strategies are not considered appropriate at the present time:
- (i) Private Placements
 - (ii) Unregistered or Restricted Stock
 - (iii) Margin Trading/Short Sales
 - (iv) Commodities, Commodity Contracts, Precious Metals or Gems
 - (v) Real Estate Property (excluding REITs)
 - (vi) Guaranteed Insurance Contracts
 - (vii) Securities Lending; pledging or hypothecating securities
- (e) Performance Objectives. Performance objectives are intended to provide quantifiable benchmarks to assist in evaluating investment manager effectiveness. All manager performance returns will be measured net of all management and trading fees, and against relevant peer groups. Performance evaluation against the appropriate benchmarks will be performed primarily over rolling 3-year and 5-year periods, with a 30% weighting assigned to 3-year periods and a 70% weighting assigned to 5-year periods. Shorter term comparisons will also be prepared quarterly.

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- (i) Large Cap Domestic Equity Accounts – Each active large cap investment manager is expected to achieve net-of-fee returns equivalent to the appropriate index plus at least 0.50%, annualized, and rank in the top 40% relative to other value/growth equity managers over rolling 3- and 5-year periods.
- (ii) Mid Cap & Small Cap Domestic Equity Accounts – Each active mid cap and small cap investment manager is expected to achieve net-of-fee returns equivalent to the applicable benchmark plus at least 1.0%, annualized, and rank in the top 40% relative to other mid cap and small cap equity managers over rolling 3- and 5-year periods.
- (ii) International Equity Accounts - Each active international investment manager is expected to achieve net-of-fee returns equivalent to the MSCI EAFE (Morgan Stanley/Capital International Europe, Australia and Far East Index of 20 developed countries) index, plus at least 1.0%, annualized, and rank in the top 40% relative to other international equity managers over rolling 3- and 5-year periods.

(3) Alternative Investment Managers

- (a) The purpose of the alternative investment allocation is to provide diversification, risk reduction, as well as enhance the performance of the Long Term Pool.
- (b) Alternative investments may include:
 - (i) Private equity fund-of-funds;
 - (ii) Hedge fund-of-funds;
 - (iii) Tactical asset allocation;
 - (iv) Absolute return;
 - (v) Real Estate Investment Trusts (REITs);
 - (vi) Merger arbitrage;
 - (vii) Managed futures;
 - (viii) Alternative mutual funds.
- (c) Performance objectives are intended to provide quantifiable benchmarks to assist in evaluating investment manager effectiveness. All manager performance returns will be measured net of all management and trading fees, and against relevant peer groups. Performance evaluation against the appropriate benchmarks will be performed primarily over rolling 3-year and 5-year periods.

(4) Fixed Income Managers

- (a) Types of Securities. Fixed-Income: securities may include investment grade, marketable debt issues of:
 - (i) U.S. Treasuries and Government Agencies
 - (ii) U.S. Taxable Municipal Obligations
 - (iii) U.S. Corporations
 - (iv) U.S. banks or other financial institutions

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- (v) U.S. mortgage- and asset-backed securities
- (vi) U.S. Collateralized Mortgage Obligations (CMO)

- (vii) Non-US Bonds

- (viii) Below investment grade bonds

- (ix) Bond mutual funds

(b) Quality

- (i) Fixed-Income Securities – Bonds held in the portfolio must emphasize investment grade (“Baa/BBB” or equivalent) by the Moody’s/S&P rating services. However, up to 20% of the fixed income investments can be made in high yield bonds (below “Baa/BBB”).
- (ii) Cash Equivalents – Limited to U.S. Treasuries and Agencies and high quality corporate issues rated A-1, P-1 or F-1, or higher. In the event a security is downgraded below A-1, P-1 or F-1, the investment manager must immediately notify the Advisor and the Client and discuss whether the security should be sold.

(c) Maturities

- (i) Intermediate-Term - The maturities of the individual bonds held in the portfolio are at the discretion of the investment manager. However, the weighted average maturity of the fixed-income portfolio shall be no greater than ten years. Further, the duration of the intermediate term portfolio shall not exceed +/- 20 percentage points of the duration of the appropriate index.
- (ii) Short-Term/Cash, Fixed Income/Cash and Cash Equivalents - The maturities of the individual bonds held in the portfolio are at the discretion of the investment manager. However, the weighted average maturity (at cost) of the fixed-income section shall be no greater than five years.

(d) Prohibited Investments – The following categories of securities and strategies are not considered appropriate at the present time:

- (i) Private Placements
- (ii) Unregistered or Restricted Stock
- (iii) Margin Trading/Short Sales
- (iv) Commodities, Commodity Contracts, Precious Metals or Gems
- (v) Real Estate Property (excluding REITs)
- (vi) Guaranteed Insurance Contracts
- (vii) Securities Lending; pledging or hypothecating securities

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- (e) Performance Objectives Performance objectives are intended to provide quantifiable benchmarks to assist in evaluating investment manager effectiveness. All manager performance returns will be measured **net** of all management and trading fees, and against relevant peer groups. Performance evaluation against the appropriate benchmarks will be performed primarily over rolling 3-year and 5-year periods, with a 30% weighting assigned to 3-year periods and a 70% weighting assigned to 5-year periods. Shorter term comparisons will also be prepared quarterly.
- (i) Intermediate-Term Fixed Income and Cash Benchmarks – The investment manager is expected to achieve net-of-fee returns in excess of the relevant Barclays Aggregate Bond Index, or the Merrill Lynch 91-Day T-Bill, annualized, and the median manager in a fixed income universe of similar duration and credit quality, both over rolling three-year and five-year periods. Shorter term comparisons will also be prepared quarterly.
- (f) The Investment Managers of the Plan are expected to:
- (i) acknowledge the acceptance of this document when a separate account mandate is utilized;
- (ii) meet, when requested, with the Committee to review investment activity and results. This review should include the current portfolio strategy, as well as commentary on the outlook for the economy and capital markets;
- (iii) provide performance measurement data, explanation, and other communication as required by the Advisor;
- (iv) provide frequent communication with the Client and the Advisor on all significant matters pertaining to the investment of these assets; and
- (v) promptly notify the Client and the Advisor of any significant changes in the manager's investment strategy, organization structure, financial condition, or personnel assigned to manage the Client's assets.
- (J) The president or the president's designee is hereby directed to take all steps necessary and appropriate for the effective implementation of this policy.

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CERTIFIED ELECTRONICALLY

Certification

01/19/2017

Date

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