

Policy 3031 (S) Long Term Investments is a Community Solution Education System administrative policy that University of Western States has adopted.

UWS is a member of The Community Solution Education System (The System), an integrated nonprofit system of six colleges and universities working together to advance student success and community impact. Through a centralized infrastructure and distinct model of governance, universities within The System work together to achieve success in an ever-changing higher education landscape.

The System administrative policies, denoted with an (S) after the UWS policy number, are governing principles that serve to mandate or constrain action System-wide, and many apply to every affiliate. These policies help employees ensure compliance with applicable laws and regulations, enhance the System's mission, promote operational efficiencies, and/or reduce institutional risk.

Administrative policies intended to apply System-wide must undergo each affiliate's individual approval process. Revision to existing or development of new administrative policies must follow the approval process outlined by the System.

To read the full policy scroll to page 2.

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1. POLICY STATEMENT

Investment Funds of TCS Education System (“TCS”) will be overseen by TCS’s Finance, Investment, and Audit Committee of the Board of Trustees (“ESFIAC”). The following investment policies and procedures are to be implemented consistent with the objective of carrying out TCS’s mission and in a prudent manner consistent with the fiduciary obligations of the parties.

2. PURPOSE

The purpose of this policy is to outline the roles/responsibilities, objectives, and guidelines to be followed for TCS’s Investment Funds.

3. APPLICABILITY

The policy applies to all long-term investing activities of TCS.

4. DEFINITIONS

4.1 Investment Funds

The Investment Fund is the depository for the restricted and unrestricted cash reserves, securities holdings, and other assets of TCS that are to be managed consistent with the goals of TCS and the individual donors, where applicable.

The Investment Fund is to be used to increase the net assets of the institution, and any appropriations of principal must be approved by the TCS Education System Board of Trustees. There may be a point in time when fund income is utilized to fund operations. Unless otherwise restricted by a donor, all account funds may be co-mingled for investment purposes so long as the performance of co-mingled funds are proportionately applied to each account from which the funds are derived.

5. PROCEDURES

5.1 Roles and Responsibilities

TCS Education System’s Finance, Investment and Audit Committee (ESFIAC)

The roles and responsibilities of ESFIAC under this policy shall include the following:

1. Determine investment policies, objectives, and guidelines for the Investment Funds of TCS.
2. Approve withdrawals of Investment Funds for the operation of TCS, as needed.
3. Review and approve recommendations for liquidation of investment assets.
4. Select, manage, evaluate, and discontinue one or more investment advisors and/or investment managers to invest and manage the Investment Funds’ assets in accordance with investment policies, objectives and guidelines.
5. Review the performance and status of the funds at least twice per year.
6. Evaluate performance of the investment manager, giving consideration to the market

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environment, over an appropriate period of time not less than one year in duration and not more than five years.

7. Provide guidance to the President of TCS and the TCS Chief Financial Officer on reports provided, performance of the Investment Funds, projected market conditions, analyst reports and recommendations, and risks and potential returns.
8. Provide guidance and direction to TCS's budgeting and planning managers relative to projected return from, growth in and disbursements from the Investment Funds.

Recommendations from ESFIAC are subject to the approval of the TCS Education System Board of Trustees.

TCS Education System Chief Financial Officer

The roles and responsibilities of the TCS Education System Chief Financial Officer under this policy shall include the following:

1. Provide reports and analyses of the performance of the Investment Funds and the investment manager, investment market conditions and performance of the Fund against budgeted appropriations. Report on changes in investment strategies to ESFIAC and the President of TCS.
2. Carry out the investment manager selection process when directed by ESFIAC.
3. Monitor and evaluate the performance of the investment manager against the approved guidelines and criteria.
4. Be the primary contact person with the investment manager. Facilitate direct communication between the investment managers and ESFIAC and their members as is prudent and advisable to keep those committee members properly informed, including through quarterly performance reports.
5. Receive recommendations from the investment manager for changes to the guidelines and criteria and transmit those recommendations as necessary for approval and response in a timely manner. Prepare and provide budgets for appropriations from and deposits to the Investment Funds.
6. Provide administrative support to ESFIAC by scheduling meetings, preparing agendas, writing minutes and keeping those committee members properly informed.

5.2 Investment Objectives

The Investment Funds shall be managed and invested to achieve the following objectives, unless otherwise specifically directed by ESFIAC or otherwise directed by the specific terms and conditions of the donor with respect to any particular sub-fund:

1. Subject to the timing of investment placements and withdrawals and prudent adjustments to address temporary market fluctuations, and unless otherwise approved by ESFIAC, no more than 65% of the total Investment Fund at purchase should be in equity investments. Due to market fluctuations, asset allocation variances up to 5% above or below the 65% threshold are deemed acceptable. See also Asset Allocation Table below.

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- a. The portfolio will be reviewed quarterly to determine the deviation from target weightings. During each quarterly review, the following parameters will be applied:
 - i. If any asset class (equity or fixed income) within the portfolio is +/-5 percentage points from its target weighting, the portfolio will be rebalanced.
 - ii. If any fund within the portfolio has increased or decreased by greater than 20% of its target weighting, the fund may be rebalanced.
 - b. The investment manager may provide a rebalancing recommendation at any time.
 - c. The investment manager shall act within a reasonable period of time to evaluate deviation from these ranges.
2. The Investment Fund portfolio should maintain appropriate diversification of high quality securities.
 3. The Investment Funds should be managed with an orientation toward total rate of return, without regard to capital gains and income.
 4. The performance benchmarks for each asset class will be clearly defined, investable, and consistently applied. See also Asset Allocation Table below. Additional benchmarks may be used to evaluate performance from time to time. The Investment Fund's return shall be calculated net of fees in measuring its level of performance.
 5. Cash investments will, under normal circumstances, only be considered as temporary portfolio holdings, and will be used to fund liquidity needs or to facilitate a planned program of dollar-cost averaging into investment in either or both of the equity and fixed income asset classes.
 6. The foregoing guidelines may be adjusted or suspended from time to time on a temporary basis by ESFIAC in order to address cash flow needs and requirements.

Asset Allocation Table		
Asset Class	Target Allocation	Benchmark
Equity	65%	Domestic: S&P 500 International: MSCI All Country World ex-US Index
Fixed income	30%	Domestic: Barclays US Aggregate Bond Index International: Barclays Global Aggregate ex-US TR Hdg USD
Real Estate	5%	MSCI US REIT Gross
Cash	0%	
Total	100%	

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5.3 Investment Policy Guidelines

1. Standard of Care

Each person responsible for managing and investing the Investment Funds shall manage and invest the Investment Funds in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances and shall act in accordance with the following requirements:

- a. Only costs that are appropriate and reasonable in relation to the assets of, the purposes of, and the skills available to TCS may be incurred.
- b. A reasonable effort to verify facts relevant to the management and investment of the Investment Funds shall be made.
- c. In managing and investing the Investment Funds, all of the following factors, if relevant, must be considered:
 - i. General economic conditions;
 - ii. The possible effect of inflation or deflation;
 - iii. The expected tax consequences, if any, of investment decisions or strategies;
 - iv. The role that each investment or course of action plays within the overall investment portfolio of the Investment Funds;
 - v. The expected total return from income and the appreciation of investments,
 - vi. Other resources of TCS;
 - vii. The needs of TCS and the Investment Funds to make distributions and to preserve capital; and
 - viii. Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the Investment Funds' portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Investment Fund and to TCS.

2. Diversification

Reasonable precautions will be taken to avoid excessive investment concentrations to and provide protection from unfavorable outcomes within each asset class. All assets within the portfolio(s) should be well-diversified to avoid undue exposure to any single company, economic sector, country, region, or industry group. Fixed income investments will maintain a minimum average credit quality of investment grade. Unless expressly approved by the ESFIAC prior to investment, strategies that have the ability to amplify or distort the risk of the portfolio(s) beyond a level that is reasonably expected given portfolio objectives are prohibited.

3. Eligible Investments and Quality

- a. Eligible equity investments include stocks traded on a nationally recognized exchange, including common and preferred stock, and convertible securities including preferred and debentures and investment funds of these securities.

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- b. Eligible fixed income investments include any security backed by the full faith and credit of the U.S. Government, agencies of the government, and also corporate securities rated BBB by Standard & Poor's, Baa by Moody's or better. Investments in selected international securities are allowed if they are within the above guidelines.
- c. Eligible real assets include real estate investment trust (REIT) funds, which must be traded on a nationally recognized exchange.
- d. Eligible short-term investments with maturities of less than one (1) year include U.S. Government and government agency obligations, obligations of banks including certificates of deposit, corporate obligations including commercial paper rated at least A-1 by Standard & Poor's, P-1 by Moody's, municipal securities (taxable or tax-exempt), or money market mutual funds which comply with this standard.

4. Investment Authority

- a. ESFIAC may engage the services of an investment manager to assume the investment management of TCS's Investment Funds. The investment manager shall have discretion to invest and reinvest principal and income in accordance with the contract executed and this Long-Term Investments Policy.

5. Uniform Prudent Management of Institutional Funds Act ("UPMIFA")

- a. UPMIFA defines an endowment fund as an institutional fund or part thereof that, under the terms of a gift instrument, is not wholly expendable by the institution on a current basis. The term does not include assets that an institution designates as an endowment fund for its own use (e.g. Board-designated endowment).
- b. TCS is subject to UPMIFA (enacted in various states including California and Illinois), and thus, classifies amounts in donor-restricted endowment funds as net assets with donor restrictions because those net assets have a time or purpose restriction that must be met before reclassifying those net assets to net assets without donor restrictions.
- c. TCS has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift contributed to a donor-restricted endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, TCS considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument ("underwater funds"). TCS has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. Additionally, in accordance with UPMIFA, TCS considers the following factors, if relevant, in making a determination to appropriate or accumulate donor-restricted endowment funds:
 - i. The duration and preservation of the fund;
 - ii. The purpose of the donor-restricted endowment fund;

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- iii. General economic conditions;
 - iv. The possible effect of inflation and deflation;
 - v. The expected total return from income and the appreciation of investments;
 - vi. Other resources of TCS; and
 - vii. The investment policies of TCS.
6. Appropriations/Spending
- a. Donor requirements will take precedence over institutional policy specified in this section.
 - b. Appropriations from TCS's Investment Funds shall not exceed five percent of the fair market value of the Investment Funds, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure is made. If the Investment Funds have been in existence for fewer than three years, the fair market value shall be calculated for the period the Investment Funds have been in existence.
 - c. The appropriation for expenditure from a fund other than a donor-restricted endowment fund (e.g. Board-designated fund) shall be as determined by ESFIAC is prudent from time to time as necessary to meet budgetary requirements and achieve the mission of TCS.
 - d. Although TCS's interpretation of UPMIFA permits prudent spending from underwater funds, generally TCS will cease appropriations from underwater funds until the fiscal period in which the fund is replenished to an amount greater than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. TCS may appropriate from underwater funds only as determined approved by the ESFIAC. In such a situation, the meeting minutes will reflect the ESFIAC's consideration of the factors set forth in Section 5 (UPMIFA).
 - e. During financial stringencies, the appropriation in any year may include all earnings of the Investment Funds to the extent necessary to relieve or reduce the financial stringencies of TCS as determined prudent by ESFIAC.

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Responsibility Table

<u>Fiduciary Level</u>	Written Investment Policy	Investment Objectives, Goals	Risk Parameters, Guidelines	Asset Allocation	Investment Manager Selection, Review	Security Selection	Appropriations	Liquidation of Assets
TCS Board of Trustees	Approves	Approves	Approves	Approves	Approves		Approves	Approves
ESFIAC	Recommends	Recommends	Recommends	Recommends	Recommends, Monitors	Informed	Recommends, Monitors	Recommends
TCS CFO	Recommends	Recommends	Recommends	Recommends	Recommends, Monitors	Approves	Recommends	Recommends
Investment Manager						Recommends		

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