SLCC FOUNDATION INVESTMENT POLICY

1. PURPOSE

To outline and communicate the operational principles of the Salt Lake Community College Foundation in the management of monies entrusted to the Foundation by supporters of Salt Lake Community College; to detail the Foundation's fiduciary duty to its beneficiaries; and to comply with applicable governmental regulations.

2. FUND OBJECTIVES

The investment objectives of the Foundation fund shall be growth and income. A long-term rate of return (as measured by 10-year rolling returns) on assets should be 4% greater than the rate of inflation as measured by the Consumer Price Index (CPI).

Investments shall be made solely in the interest of the Foundation; invested with care, skill, prudence, and diligence under the circumstances prevailing. Investments shall be so diversified as to minimize the risk of large losses unless the Finance Committee reasonably determines that because of special circumstances, the purposes of the Fund would be better served without diversification.

The time horizon for the Foundation is perpetuity. It is not structured to hedge against severe economic contractions or periods of high, unanticipated inflation, both of which could adversely impact the portfolio's market value. The Foundation's investment funds are to be permanent in nature.

3. DEFINITIONS

A. "Alternative Investments" – an investment in asset classes other than traditional stocks, bonds, and cash types. Such investments derive returns primarily from high yield or distressed debt, private capital, natural resources, private real estate, or absolute return and long/short hedge funds.

B. "Board" – the Foundation Board of Directors

C. "Equities" – stock or shares in a publicly held company that carry no fixed return on investment.

D. "Executive Committee" – the leadership of the Board established to oversee all Foundation activities.

E. "Finance Committee" – a sub-committee of the Board established to oversee all Foundation investing activities.

F. "Fixed Income" – investment security that pays a fixed interest or dividend until maturity. At maturity the original principal invested is returned.

G. “Foundation” – the Salt Lake Community College Foundation.

H. “Fund” – the Salt Lake Community College Foundation investment portfolio.

4. GOVERNANCE

The Foundation, its Executive Committee, Finance Committee, investment managers and advisors will prudently manage all investment assets of the Foundation, which include restricted, unrestricted, endowment, and charitable trust funds.

The investment of funds shall be made in compliance with state law and regulations including the Utah State Money Management Act, the rules of the Utah State Money Management Council and Utah Board of Higher Education Policy.

5. STANDARDS OF OPERATION

Selection of investments shall be made in the interest of the Foundation by the Finance Committee, not for speculation but for investment, considering the safety of the Fund’s capital, as well as the expected benefits to be derived and duration for which such investment is to be made.

The Foundation is averse to large downward fluctuations in the overall investment portfolio resulting from market volatility. Asset allocation and diversification will be actively utilized to manage such risk. The Board shall consider:

A. An historical review of various asset classes, their risk and return characteristics and correlations;
B. The economic and investment outlook for capital markets, interest rates and expected inflation or deflation;
C. The Foundation’s ongoing ability to tolerate downturns in asset values;
D. Expected changes in spending requirements;
E. Priorities identified by the Foundation not otherwise addressed in this policy.

6. INVESTMENT GUIDELINES

The asset allocation of the investment portfolio shall be reviewed no less than annually by the Finance Committee. The Foundation shall maintain a balanced portfolio of equities, fixed income, alternatives, and cash investments in a proportion which seeks to achieve the long-term risk and rate of return goals. The minimum, maximum and current target weightings of allowable asset classes will be:

Asset Class	Minimum Weight	Maximum Weight	Current Target Weight
Equities	0%	75%	60%
Fixed Income	25%	100%	36%
Alternatives	0%	30%	0%
Cash & Equivalents	2%	10%	4%

A. The Fund portfolio may include:

1) EQUITIES designed to provide growth of income and appreciation of principal. The risk of owning equities should be rewarded with greater returns than those available from fixed income investments. Equities shall be limited to US common stock, preferred stock, securities convertible into common stock, and common stocks of foreign companies listed on major US securities exchanges. Mutual funds, exchange traded funds, closed end funds and/or separately managed accounts whose primary investments include the above shall be permissible.

   EXCLUDED EQUITY investments include commodity trading (including all future contracts), purchasing of letter stock, short selling, option trading (except covered call writing), and margin and common stocks of foreign companies trading on foreign exchanges. Exceptions to these restrictions may be made by the Finance Committee from time to time.

2) FIXED INCOME investments to provide a predictable and reliable source of interest income; limited to debt securities issued or guaranteed by the United State Government, its Agencies or instrumentalities, investment grade corporate bonds, debentures or other forms of corporate debt (subject to an individual issue limitation not to exceed 5% of the Foundation's total fixed income portfolio), commercial paper rated A-1 or P-1 only, certificates of deposit or bankers acceptances, asset backed securities rated investment grade, mortgage backed securities rated investment grade, debt obligations of state or local governments rated investment grade and fixed annuities rated investment grade. Mutual funds, exchange traded funds, closed end funds and or separately managed accounts whose primary investments include the above shall be permissible.

   EXCLUDED FIXED INCOME investments include non-diversified foreign debt securities (unless such investments are part of an open or closed end mutual fund or exchange traded fund and the total assets of the Fund do not exceed 10% of the Foundation's total fixed income portfolio), direct real estate mortgages or commingled fund or private loan transactions. Debt securities below investment grade or non-rated are allowed proved they are part of a diversified fund or manager portfolio and do not exceed 10% of the overall investment account.

   The fixed income portfolio shall be generally managed with an intermediate duration (usually 3-10 years). Holdings should be reasonably diversified with an emphasis on high quality issues with reasonable liquidity. Excess cash reserves may be swept into a money market account or bank deposit account provided such issuer(s) are deemed credit worthy by the Investment Committee and rated at least investment grade or FDIC insured.

3) ALTERNATIVE INVESTMENT strategies as further diversification, and to maintain sufficient liquidity to meet projected or budgeted distribution requirements, which include scholarships and program support needs.

4) CASH will be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return. To maintain the ability to deal with unplanned cash requirements, the greater of 2% of the total portfolio balance, or

1-year projected liability, shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. treasury bills. Federal and/or state deposit insurance limits will be prudently observed in the placement of cash deposits at depository institutions.

B. ANNUAL DISTRIBUTIONS from the Fund shall conform to the Foundation's Endowment Spending Policy, and be subject to annual review by the Board. In the absence of instructions to the contrary in a particular endowment agreement, distributions from each endowment shall be limited to 4% of total asset value, defined as the average of the most recent four quarter-ending asset values for each endowment fund within the investment pool. Where the Fund fails to generate annual investment returns of 5% or greater, the Finance Committee may limit or suspend such distribution until such time as the returns allow for disbursement. Where a donor expresses a clear intent for the use and expenditure of donated funds, the Finance Committee will honor such instructions.

C. The Board's fiduciary responsibilities include directing and monitoring the management of Fund assets. Board may delegate certain responsibilities to professional experts including:

1) <u>Investment Consultant</u> – assists the Board in establishing investment policy, objectives, and guidelines; selecting investment options and managers; reviewing such options and managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

2) <u>Investment Manager(s)</u> – uses discretion to purchase, sell, or hold the specific securities that will be used to meet the Fund's investment objectives.

   a. Selection – the Finance Committee shall consider portfolio objectives, management tenure and consistency, rolling period and risk adjusted performance, length of track record, professional staff and process, organization/stewardship and ownership assessment, and expenses and assets under management. The Investment Manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company and provide the Board written acknowledgment of fiduciary responsibility to the Fund.

   b. The Investment Manager's performance, personnel, strategy, research capabilities, organization and other qualitative factors impacting their ability to achieve the desired investment results will be reviewed by the Finance Committee on an ongoing basis.

   c. Investment performance will be measured through quarterly reports to the Board, detailing asset class components measured against industry performance benchmarks, and the Fund's investment objectives, goals, and guidelines.

3) <u>Custodian</u> – maintains possession of securities owned by the Fund, collects dividend and interest payments, redeems maturing securities, and effects receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movements of assets into and out of the Fund.

4) Attorneys, auditors, actuaries, and others – the Board elects to assist in meeting its responsibilities and obligations.

   a. The Board will review no less than annually all costs associated with the management of the Fund's investment program.

   b. The Executive Committee reviews, amends and presents this policy every three years to the Board for approval.

   c. The Executive Committee delegates responsibility for implementation of the Policy to the Finance Committee.

7. REFERENCE

A. State Money Management Act, Utah Code Ann. §§ 51-7-1—24.

B. Uniform Prudent Management of Institutional Funds Act, Utah Code Ann. §§ 51- 8-101—604.

C. Management and Reporting of Institutional Investments, Utah Board of Higher Education r. 541.

D. State Money Management Council, Utah Admin. Code r. 628.

8. POLICY ADOPTION

Approved by Finance Committee on February 1, 2024, meeting minutes.
Approved by Executive Committee on February 26, 2024, meeting minutes.