

SECTION: **POLICY STATEMENT - GENERAL AND ADMINISTRATIVE**

SUBJECT: **GENERAL INVESTMENT POLICY**

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PURPOSE: To provide general guidance relative to the delegation of authority and responsibility, the policies needed, and the review requirements in order that management may keep funds properly invested.

EFFECTIVE DATE: **December 7, 2001**

HISTORICAL: December 13, 1993

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## **GENERAL INVESTMENT POLICY**

### **I. BACKGROUND AND PURPOSE**

- A.** The investment management responsibilities of the Cal Poly Corporation ("CPC") Board of Directors differ from those of the management of commercial organizations and most institutions of higher education. The CPC shares many of the characteristics of a college or university in that it is exempt from income and capital gains taxation, has fiduciary responsibility for a significant amount of perpetual funds, and needs both current income and indefinite future protection of the purchasing power of these perpetual funds. At the same time, from the commercial and other operations, the CPC has investment responsibilities for current funds not needed for operations and other funds earmarked for capital improvement projects and equipment purchases.

Also, the administrative responsibility for restricted funds received to provide current assistance to the University's instructional programs, carries with it the need to invest these funds to provide funding for the cost of administration.

The investment of proprietary funds generated by commercial activities is almost totally within the control of the Board of Directors. Few investment constraints exist except in the area of real estate and non-related business activities. Care must be exercised to avoid any unwise investment that could bring discredit to the CPC, or endanger its financial viability, but the Board has relative freedom in investing proprietary funds.

The custodial and investment responsibility for institutional funds, however, represents a higher level of concern. The Uniform Management of Institutional Funds Act (Cal Probate Code Section 18506) provides "standard of care" direction relative to permissible investment activities, stating:

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing property, appropriating appreciation and delegating investment management for the benefit of an institution, the members of the governing board shall act with the care, skill,

prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims to accomplish the purposes of the institution....

In exercising judgment under this section, the members of the governing board shall consider the long- and short-term needs of the institution in carrying out its.... purposes, its present and anticipated financial requirements, expected total return on its investments, general economic conditions, the appropriateness of a reasonable proportion of higher risk investment with respect to institutional funds as a whole, income, growth, and long-term net appreciation, as well as the probable safety of funds.

Under the Uniform Principal and Income Act (Cal Probate Code Section 16335), the Board of Directors, as the trustee of institutional funds, administers these institutional funds in strict conformance with the purposes set forth in the gift or trust instrument or, in the absence of such an instrument, in accordance with law.

The extent of the investment management responsibilities is such that it is prudent that the Board of Directors delegate these responsibilities whenever possible, secure continuous professional supervision of investments, establish policies for the various investment needs and provide for periodic review of all investment activities. It is the intent, therefore, that this policy statement provides general guidance relative to the delegation of authority and responsibility, the policies needed, and the review requirements.

## **II. POLICY**

### **A. Delegation of Authority and Responsibility**

1. Article II, Section 5, of the Bylaws of the CPC permits the Board of Directors to act through committees established by the Board and to assign powers and functions to such committees, consistent with the Articles of Incorporation and the Bylaws.
2. The Board, therefore, delegates to the Standing Committee on Investments, within the policies discussed in Paragraph B below, the authority to act as an extension of the Board to fulfill the Board's fiduciary role over trust and institutional funds and invested general funds. The specific functions and responsibilities of the Standing Committee on Investments are as established by the Statement of Purpose and Functions for the Standing Committee on Investments. See Attachment A.

### **B. Policy Statement Requirements**

1. Since the administration of the CPC's investment program involves trust, agency and, short-term, perpetual, and other funds, and diverse needs for investment earnings, several policy statements are required to facilitate the administration of this program. The Standing Committee on Investments'

primary purpose is to provide the Board of Directors with advice and consultation on the development and implementation of policies, programs, and practices relating to investments held and managed through the CPC. This committee shall, therefore, develop and recommend to the Board a full range of policy statements to assure compliance with CSU and University policy and provide guidance for the conduct of the total investment program

### **III. PROCESS**

It is the policy of the Board of Directors that the CPC's investment program will be managed in conformity with established investment management principles and the laws of the State of California governing commercial, donor, agency and fiduciary relationships. These investment principles and laws are subject to change. The Standing Committee on Investments will, therefore, using the services of management staff, periodically review all investment policies and recommend revisions for Board approval when required.

ATTACHMENT A: Standing Committee on Investments Statement of Purpose and Functions