

Policy 121

General Investment Policy

Section: 100 – General Administration

Responsible Executive: Lead Financial
Administrator

Responsible Department: Investments and Treasury
Management

First Effective Date: December 13, 1993

Last Reviewed: March 2018

Next Scheduled Review: January 2021

1.0 PURPOSE

- 1.1. To provide general guidance relative to the delegation of authority and responsibility, the policies needed, and the review requirements related to investment management.

2.0 BACKGROUND

- 2.1. The Board has a fiduciary duty as trustee of invested funds and other liquid assets held by the Cal Poly Corporation (“CPC”). CPC employs Investment Consultants and investment managers to manage investments, trusts and other financial matters of CPC. The extent of the investment management responsibilities of the Corporation, however, is such that it is prudent that whenever possible, CPC must secure and operate with continuous professional supervision of investments.
- 2.2. This policy provides the baseline authority and requirements for administration of all of CPC's Investment Assets. As CPC has diverse needs for investment earnings, CPC manages a number of investment pools. Each investment pool is to be operated in compliance with this policy but the Board will also provide a specific board policy for further guidance for each investment pool.

3.0 POLICY

- 3.1. General. 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. The Board delegates to the Lead Financial Administrator, under the oversight of the Executive Director, the implementation of the management of investments per this policy and related policies of the Board, and in accordance with California and federal law.
 - 3.1.1. It is expected that the Lead Financial Administrator will seek and rely upon specialized expertise and guidance from an Investment Advisory Committee and other investment professionals as is reasonable and prudent. The Board retains ultimate responsibility to make investment program policy decisions.
- 3.2. Lead Financial Administrator Duties. The Lead Financial Administrator will have primary responsibility for implementation of investment-related duties in accordance with policy. The Lead Financial Administrator, or his/her designee, will:
 - 3.2.1. Provide accounting and reports related to investments to the Board periodically;
 - 3.2.2. Ensure that quarterly reports are produced that detail the earnings and activity in all investment accounts, and distribute the reports to the Board;

- 3.2.3. Consult with the Investment Advisory Committee regarding implementation of policy and Guidelines, and revisions to Guidelines, and revisions to policy to be proposed;
 - 3.2.4. Provide recommendations to the Board for policy changes; and
 - 3.2.5. Develop and finalize Guidelines' changes in compliance with this policy.
- 3.3. Investment Advisory Committee. An Investment Advisory Committee ("Advisory Committee") will be created to provide CPC management staff with advice and consultation on the development and implementation of programs, practices, guidelines, and policies relating to investments held and managed for CPC. Any advice or recommendations by the Advisory Committee for policy changes, or investment action that only the Board may make, must be reviewed and approved by the Board prior to implementation.
- 3.3.1. Membership. Membership of the Advisory Committee must include at least one director and can include up to four members of the Board of Directors, and may also include non-Board members with relevant business expertise. CPC staff may not serve on this committee. The Advisory Committee will consist of at least two (2) members and not more than seven (7) members.
 - 3.3.2. Selection and Appointment. The Board Chair will appoint the Board of Directors member(s) and the Advisory Committee Chair, as well as the non-director members of the Advisory Committee. The Advisory Committee Chair may be a non-director.
 - 3.3.3. Responsibilities. The Advisory Committee will advise the Lead Financial Administrator on investment operations. Some areas in which this committee may provide advice and guidance are:
 - 3.3.3.1. Assess investment program performance and markets, and review periodic financial reports on the results of the investment program;
 - 3.3.3.2. Consult with Lead Financial Administrator and Investment Consultant(s) on decisions requiring interpretation of investment policies and guidelines;
 - 3.3.3.3. Review investment, spending and asset allocation policies and guidelines for compliance with investment policies or to recommend changes, and make recommendations to Lead Financial Administrator or the Board;
 - 3.3.3.4. Review the effectiveness of all investment-related policies, and their compliance with CSU and University policy, and, if necessary, recommend changes to the Board;
 - 3.3.3.5. Advise on the engagement, and monitoring, of investment consultant(s); and
 - 3.3.3.6. Monitor and advise performance and policy compliance of investment manager(s) working with Investment Consultant(s).
 - 3.3.4. Support to Advisory Committee. The Lead Financial Administrator, or his/her designee, and the Investment Consultant(s) will provide reports, information and support to the Investment Advisory Committee as needed to assist the Advisory Committee in its reviewer and advisory role.
- 3.4. Legal assistance. Legal counsel should be consulted, as prudent, by the Investment Advisory Committee and Lead Financial Administrator.
- 3.5. Investment Consultant(s) role. The Lead Financial Administrator may allow Investment Consultant(s) to:

- 3.5.1. Implement investment-related policies and guidelines, as interpreted by the Lead Financial Administrator, and upon the Lead Financial Administrator's consultation with the Advisory Committee;
 - 3.5.2. Recommend policy and guidelines' revisions or implementations to the Lead Financial Administrator for review by the Advisory Committee;
 - 3.5.3. Hire, monitor, and terminate investment managers; and
 - 3.5.4. Report to the Lead Financial Administrator and the Advisory Committee with respect to performance reviews of Investment Managers.
- 3.6. Investment Standard. All investments must be in compliance with the California Uniform Management of Institutional Funds Act ("UMIFA").
- 3.7. Reports to the Board.
- 3.7.1. The Lead Financial Administrator, or his/her designee, will report to the Board on a periodic and timely basis all recommendations for action by the Board, and summaries of any Advisory Committee, investment consultant(s)' and investment manager(s)' reports. The Lead Financial Administrator will make the guidelines available to the Board and will periodically advise the Board of any change(s) to the document.
 - 3.7.2. The Lead Financial Administrator, or his/her designee, will report to the Board if a guideline change is made that will result in a target allocation change:
 - 3.7.2.1. For an overall asset class (equity or fixed income), of more than plus (+) or minus (-) 5% of the total portfolio value of the combined asset classes, or
 - 3.7.2.2. For an individual asset class (i.e. domestic small cap stock, international REITS), of more than 15% of the portfolio value of the individual asset class, or a maximum of 2% of the portfolio value of the individual asset class, whichever is greater.

4.0 DEFINITIONS

- 4.1. Investment Assets. Corporation prior year earnings, gift funds, endowments, Grant & Annuity contracts and funds held for others which are in some way pooled and invested in generally accessible open markets with the goal of increasing earnings while minimizing principal risk, as determined by Board policy. Normal operating cash and savings are excluded from this definition.
- 4.2. Investment Related Changes. The movement of Investment Assets between those short-term investments as defined in Policy 123- Internal Investment Fund Policy.
- 4.3. Trust funds. Donor assets held in trust by CPC and formalized with a contractual agreement between the donor and CPC. Upon maturity of a contract, the remainder is usually delivered to Cal Poly. In return, CPC makes an agreement to provide annuity or trust distributions to the donor's designated beneficiary during the life of the contract. Trust funds are invested either individually by trust, or in some cases, pooled with like contracts, as is the case with Grant and Annuity contracts.
- 4.4. Agency Funds. Cash assets not owned by CPC but which pass through CPC's banking and investment accounts with no distinction of separate ownership. CPC has an obligation to return such funds upon request.
- 4.5. Lead Financial Administrator. The CPC staff member charged with primary responsibility for the CPC investment operations in compliance with Board policies, and working directly with the Investment Advisory Committee, Investment Consultants, and investment managers.

- 4.6. Investment Consultant(s). A person or firm that provides CPC with investment management guidance and oversight. *See* §3.5. An Investment Consultant may also provide some investment manager services.
- 4.7. Investment Manager(s). A person or firm who provides professional management of securities, mutual funds, exchange-traded funds, fund of funds or various other assets in such manner as to meet goals set by the CPC Board of Directors within parameters defined by the Lead Financial Administrator and the Board of Directors.

5.0 PROCEDURES, GUIDELINES AND FORMS

- 5.1. Guidelines. The Lead Financial Administrator, or his/her designee, with consultation from the Investment Advisory Committee, will establish written guidelines for practical operations related to investment funds to implement this policy and other Board policies. Guidelines will include philosophy and procedures for specific investment vehicles or funds, as needed.

6.0 COMPLIANCE

- 6.1. All personnel involved in investment of any CPC-held funds must comply with this policy.

7.0 REFERENCES AND RELATED POLICY

- 7.1. California Uniform Management of Institutional Funds Act (“UMIFA”) (Cal. Probate Code §18506 et seq.).

Technical and administrative change updates

7-26-12 for title and organization structure changes.