

3354-1-20-07 Investment Policy

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.

Investment Policy Goals:

- ◆ Stating in a written document the College's attitudes, expectations, objectives, and guidelines regarding investment of the College's financial assets.
- ◆ 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.
- ◆ 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).
- ◆ Encouraging effective communications between College Board members, the Investment Committee including its Investment Advisor, and Officers, Directors, and staff of Cuyahoga Community College.
- ◆ Establishing formal criteria to monitor, evaluate, and compare, on a regular and ongoing basis, the performance results achieved.
- ◆ 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.

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 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:
 1. 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.
 2. 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.

Board of Trustees

Cuyahoga Community College's Board of Trustees is responsible for approving the Investment Policy Statement and may delegate the implementation of the Statement to the Investment Committee.

Investment Committee

Composition

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.

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.

Ethics

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.

Employees must disclose personal investments which could be affected by investment decisions made for the College.

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.

Investment Advisor(s)

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.

The Investment Advisor is responsible for the following:

- Review asset allocation and investment strategy to determine if the current strategy meets the investment objectives of the Portfolio
- Monitor the performance of the Portfolio to determine if the collective investment strategy is outperforming the established benchmarks

- Perform strategic asset allocation analysis from time to time; and implement or recommend tactical changes following the investment process of the College.
- Perform due diligence on Investment Managers to determine their continued suitability within the Portfolio
- Recommend or implement the hiring, terminating, or replacement of Investment Managers
- Provide performance reports to help the Investment Committee evaluate each investment manager and the results of the overall Portfolio
- Assess overall investment fees of the Portfolio

Investment Decision Authority

The Treasurer, in collaboration with the Investment Committee, maintains decision making authority, or discretion. This authority permits making tactical asset allocation adjustments, raising or investing cash, and retaining and replacing investment managers. All of the guidelines stated within this Policy must be met when making investment decisions. Any decision sought outside of the Policy parameters herein stated must have approval from the College Board of Trustees.

Investment Managers

The Portfolio shall engage professional, SEC-registered investments 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 provision 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. Each Investment Manager has discretion to purchase, sell, or hold the specific securities within the specific investment strategy.

- Voting of proxies
 - Investment managers are responsible for voting proxies which should be made in the best interest of investors.
- Execution of security trades
 - The Investment Manager is expected to transact securities in a manner designed to receive a combination of best price and execution.

Custodian

The Custodian will physically maintain possession of securities owned by the Portfolio, collect dividend and interest payments, redeem maturing securities, and affect receipt and delivery following purchases and sales. The Custodian shall also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Portfolio accounts. The Custodian is responsible for providing monthly statements. Access to online balances and statements should be made available.

Bond Proceeds

From time to time, Tri-C will issue municipal bonds to support capital projects. Upon the receipt of the bond proceeds, the Treasurer, with guidance from finance staff and the investment advisor, is responsible for investing the proceeds. Investment of the proceeds may be prudent given an interim period between the receipt of bond proceeds and the outlay of funds to support capital projects.

Investment guidelines:

- Meet all investment guidelines detailed within the bond indenture
- If working with an outside advisor on a custom investment solution, the advisor must be a registered municipal bond advisor or qualify under one of the exemptions
- All securities should be rated A3/A-/A-or higher by Moody's, S&P, or Fitch at the time of purchase. If a security is rated differently by agency, the higher rating may be used.
- Except for U.S. Government and agency debt, no holding should exceed 5% of the portfolio at cost.
- Corporate issues should be reasonably diversified by sector.
- Allowable securities
 - U.S. government, government agencies
 - U.S. taxable or non-taxable municipal obligations
 - U.S. corporate obligations
 - U.S. banks or other financial institutions
 - U.S. mortgage- and asset-backed securities
 - U.S. collateralized mortgage obligations (CMO)
 - Foreign bonds held in U.S. dollars
 - Floating-rate bonds that meet the quality guideline
 - Commercial paper

Portfolio Segmentation

Short-Term Pool	Mid-Term Pool	Long-Term Pool
Investment Horizon: <1 Year	Investment Horizon: 1-6 Years	Investment Horizon: >6 Years
Purpose: Short-term cash needs, operational, payroll, AP	Purpose: Intermediate cash needs, cash financing for capital projects and unexpected short term needs	Purpose: Long-term growth, quasi-endowment
Asset Allocation/Investment Types: Star Ohio and cash equivalents	Asset Allocation/Investment Types: Laddered, buy & hold, investment grade bonds	Asset Allocation/Investment Types: Balanced portfolio with asset allocation parameters

Allocating Between Pools

The Treasurer, in collaboration with the Finance Staff, Investment Committee, and Investment Advisor, will evaluate cash needs and the College's ability to take on more or less market risk. These inputs will help determine appropriate allocations between pools. This authority allows the Treasurer to transfer funds between the investment pools. The exception to this authority, as noted in the next section, requires the Board to approve distributions out of the Long-term Pool.

Long-Term Pool

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:

Should an event arise 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.

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 seven to ten years), so that interim fluctuations should be viewed with appropriate perspective.

Performance Expectations

Based on historical experience, the College is projected to achieve a minimum average 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).

The College's Investment Advisor will report on a monthly basis to the Investment Committee the latest monthly results. Performance results will be measured in three ways over a full business cycle, generally 7-10 years:

1. The overall investment objective of the Portfolio of achieving a minimum annual real rate

of return of 5%, net of fees and transaction costs.

2. A blended benchmark of market indices based on the strategic asset allocation of the Portfolio, including but not limited to the Russell 3000, MSCI ACWI ex USA, MSCI ACWI, Bloomberg Barclays US Aggregate, HFRI Fund of Funds Conservative, and blends of underlying manager indices. Benchmarks will not be changed without informing the Committee.
3. The Portfolio will be compared to a peer universe of similar sized peers

Asset Allocation

Based on balancing the risks and rewards of market behavior, the following asset classes and policy ranges are selected for the Long-Term Pool:

Asset Class	Policy Range
Domestic Equity	25% - 35%
International Equity	5% - 15%
Global Equity	10% - 20%
Total Growth Assets	45% - 65%
Diversifying Assets*	0% - 25%
Income & Liquidity	15% - 35%
Cash & Cash Equivalents	0% - 5%

* Positions in Diversifying Assets must be recommended by the Investment Advisor and approved by the Investment Committee in advance of any action.

Permissible Investments

The Portfolio may be invested in the types of investments listed in the chart below. Mutual funds are bound to their prospectus guidelines and not this Statement.

Growth Assets	Diversifying Assets
<ul style="list-style-type: none"> • Common stocks • Convertible preferred stocks • American depository receipts (ADRs) of non-U.S. companies • Stocks of non-U.S. companies (Ordinary shares) • Equity mutual funds and exchange traded funds 	<ul style="list-style-type: none"> • Real estate investment trusts (REITs) • Tactical asset allocation strategies • Absolute return strategies • Long-short equity and fixed income strategies • Macro strategies • Hedge funds and hedge fund-of-funds • Private equity and debt strategies • Private non-marketable partnerships • Mutual funds and exchange traded funds
Income & Liquidity Assets	Cash Equivalents

<ul style="list-style-type: none"> • U.S. government and agency securities • Municipal bonds • Corporate notes and bonds • Convertible notes and bonds • Mortgage backed bonds • Preferred stock • Fixed income securities of foreign governments and corporations • Fixed income mutual funds and exchange traded funds 	<ul style="list-style-type: none"> • Treasury bills • Commercial paper • Banker's acceptances • Repurchase agreements • Certificates of deposit • Deposit accounts • Money market mutual funds and exchange traded funds
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Selection of Investments and Managers

There is intention to retain Investment Managers who meet the following minimum attributes to manage the Portfolio:

- The institution should be a bank, insurance company, investment management company, or an investment adviser under the Registered Investment Advisers Act of 1940
- The institution should be operating in good standing with regulators and clients, with no material pending or concluded legal actions
- The institution should provide detailed information on the history of the firm, its investment philosophy and approach, and its principals, clients, locations, fee schedules, and other relevant information to the Investment Consultant

Assuming the minimum criteria are met, the particular Investment Manager under consideration should meet the following standards:

- Performance reporting should comply with the CFA Institute's Global Investment Performance Standards (GIPS)
- Risk and risk-adjusted return measures should be evaluated and be within a reasonable range relative to an appropriate, style-specific benchmark and peer group
- Fees should be competitive compared to similar investments

Removal of an Investment Manager

There may be circumstances which dictate reason to remove an Investment Manager. The following are general guidelines which may give reason to remove an Investment Manager:

- Failure to comply with the investment guidelines
- Underperformance relative to relevant benchmarks or peer groups, with an emphasis on long-term (three and five year) rolling time periods
- Significant qualitative changes to the investment management organization

Each Investment Manager shall be reviewed ongoing in regards to performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors

that may impact its ability to achieve the desired investment results. If the Investment Manager has failed to adhere to one or more of the above conditions, it is reasonable to presume a lack of adherence going forward. Any decision to remove an Investment Manager will be treated on an individual basis, and will not be made solely based on short-term quantitative data. In addition to those above, other factors may include professional or client turnover, or material change to investment processes. Considerable judgment must be exercised in the removal decision process.

Statement of Investment Policy Review

To assure the continued relevance of the guidelines and objectives as established in this investment policy statement, the Investment Committee should review the investment policy annually, or as deemed necessary, and provide any recommended changes to the Trustees.

Board of Trustees Approval

This Policy was approved by the Board of Trustees on January 25, 2024

Effective date: January 25, 2024

Prior effective date: January 29, 2015; December 1, 2016, May 24, 2018