

The Bloomsburg University Foundation Investment Policy

I. Purpose of the policy

This policy is intended to ensure proper and prudent management of Foundation assets, in a manner consistent with wise financial stewardship, and the intentions of donors to promote excellence in higher education. It is the position of the Board of Directors of the Bloomsburg University Foundation that all funds are held in a fiduciary capacity either as a matter of law or as a matter of moral obligation. All matters pertaining to investment of funds are to be interpreted, judged and understood in the light of that sense of stewardship.

II. Investment objectives

A. Preservation of capital

A major objective of the investment policy is the preservation of capital, both on an absolute basis and in terms of real purchasing power. Toward that end, the objective is linked to that of achieving a reasonable rate of total return. In pursuit of this objective it is recognized that a balance is required between foundation spending and investing.

B. Liquidity sufficient to meet short-term needs: Foundation spending policy

It is the policy of the Bloomsburg University Foundation to annually distribute a percentage of the fund's total asset value. Spending needs are generally reflected in plans and budgets developed to support the University strategic plan. Liquidity needs shall be calculated as a percentage of the total fund without regard to investment income. The annual cash flow needs of the Foundation shall be determined in the budgeting process and communicated to the Finance Committee. The Finance Committee, in consultation with the Executive Director/Chief Operating Officer and the Treasurer, will be responsible for determining the source of funds as a percentage of the total portfolio and will communicate projected liquidity needs to the investment councilors. (It is a goal that future liquidity needs will be expressed as a percentage of the portfolio on a two year trailing average basis.)

C. An appropriate rate of return: Strategic investment goals

The Finance Committee, in managing the investment process, will generally be guided by the following standards for investment performance with the recognition that the absolute returns described are not calculated relative to market performance. Evaluation of investment managers, mutual funds or other investment portfolios will be done on a relative basis with reference to peers, indices or other rational criteria as the committee shall determine.

"Total" rate of return makes no distinction between gains achieved through capital growth or the receipt of income in the form of interest and dividends. Sub-objectives are defined in terms of "real rates" of return, (i.e., those returns in excess of the inflation rate) as follows:

1. The overall goal for Foundation assets is to achieve a real 3% total rate of return compounded annually, and measured over a three to five year time horizon.
2. The goal of the equity portion of Foundation assets is to achieve a real 5% total rate of return compounded annually, and measured over a three to five year time horizon.
3. The goal of the actively managed fixed income portion of the Foundation's assets is to achieve a real 2% rate of return compounded annually, and measured over a three to five year time horizon.

The purpose of these investment sub-objectives is to emphasize the need to balance return on investment with other investment objectives while setting well-defined performance goals.

D. Growth in principal

Growth in principal may be an objective for a specific fund, such as a designated endowment or retirement unitrust when the fund has an objective of accumulation that has a longer time horizon than five years.

E. Growth of income

Growth of income may be an objective for specific funds such as charitable remainder unitrusts, where the Foundation is aware of the donor beneficiary's desire to maintain purchasing power of income against inflation; or for special purpose endowments where purchasing power is an important consideration. In this case the Foundation may need to balance payout rates with principal investment strategies at the time the gift is made in order to achieve the desired result.

III. Investment principals

A. General policy

In the normal course of business, investments shall be limited to the following: 1) U.S. Government or Agency Investments; 2) corporate bonds and notes with ready marketability; 3) any unrestricted, publicly traded common stock that is listed on a major national exchange or a national over the counter market that is appropriate to the portfolio objectives; 4) cash investments including certificates of deposit and money funds 5) convertible preferred stock and convertible bonds may be used as equity investments when the quality rating is BBB or better (S&P) or Baa or better (Moody's) and the underlying stock meets the standards in item 3 above. The portfolio may consist only of traditional principal and interest obligations (no derivatives).

B. Bond quality

Bond Quality shall be limited to a rating of A or better under one of the recognized rating services (Standard and Poor's or Moody's).

C. Liquidation of in-kind investments

The general policy of the Foundation shall be to liquidate all donated investments upon receipt in order to reinvest the proceeds within one of its pooled funds or with a monitored investment manager. Stock will be valued on the day it is received in good deliverable form (stock power attached or hypothecation agreement on the back completed) and priced at the average of the high and low of that day. If a request were made by a donor to hold the stock, the Finance Committee would be consulted for a decision, which would require an approval of that request and the adoption of a plan to monitor the holding.

D. Consistency with the mission of the Bloomsburg University Foundation and federal and state investor legislation

1. The appropriate laws of the Commonwealth of Pennsylvania shall apply.
2. The Foundation Finance Committee and its investment managers shall take strict precautions to assure that Foundation assets are invested in a manner consistent with the mission of the Bloomsburg University Foundation, Inc.
3. The Foundation Finance Committee shall take all necessary steps to implement the provisions of the Pennsylvania Prudent Investor Act if adopted by the state.

E. Review of new funds or gifts requiring investment decisions

From time to time, gifts may be received which require specific investment strategies or portfolio structures. The Executive Director/Chief Operating Officer in consultation with the Treasurer of Bloomsburg University Foundation, and the Chairperson of the Bloomsburg University Foundation Finance Committee will:

1. Review investment objectives;
2. Discuss investment options;
3. Make recommendations to the Finance Committee before investment of funds occur.

Special Finance Committee meetings may be called to finalize appropriate recommendations where investments are exceptions to this policy.

F. Exceptions to policy

The Finance Committee may elect to use other appropriate forms of investments to meet the specific objectives of a particular fund or, in rare cases, to retain an in kind investment if appropriate safeguards are in place.

IV. Investment management

A. Board of directors delegation of authority

The Board of Directors of Bloomsburg University Foundation delegates supervisory authority over its investment assets to the Finance Committee of the Board. The Finance Committee shall oversee the management of all fund and gift accounts of the Foundation. The Finance Committee shall make every effort to assure that the intentions of the donors are carried out through investment policy and practice consistent with the objectives of the Foundation and the needs of the University.

B. Finance committee

The Finance Committee, as established by the Board of Directors of the Foundation, shall exercise direct oversight of this policy on behalf of the Board. Responsibilities of the Committee shall include, but not be limited to:

1. Establishing clear investment guidelines consistent with this policy and recommending any necessary changes to the policy;
2. Setting overall asset allocation guidelines as they relate to equity, fixed income, or other investment categories, consistent with this policy;
3. Selecting and retaining qualified outside investment managers;
4. Communicating as clearly as possible the major duties and responsibilities of those accountable for achieving investment results;
5. Monitoring and evaluating investment risks and results;
6. Reviewing the performance of separately managed agreements of trust and instructing the funds' manager(s) according to this policy;

7. Periodically informing the Board of Directors of the status of all investments;
8. Coordinating with the Foundation staff to establish reasonable rates of payment which can be offered to prospective donors of deferred gifts which include a life or term income to the donor.

C. Executive staff of the foundation

The Executive Director/Chief Operating Officer of the Foundation in consultation with the Treasurer shall represent the Finance Committee on a day-to-day basis.

D. Investment councilors

The Finance Committee is authorized to hire one or more investment counselors to assume the investment management of funds and assets owned or administered by the Bloomsburg University Foundation. The committee will establish and follow appropriate procedures for selecting such councilors and for conveying to each the scope of their authority, the organization's expectations and the requirement of full compliance with these policies. Pooled Investment Managers and/or Mutual funds may be used as investment managers subject to review and approval of their purpose, quality, management style, and appropriateness by the Finance Committee. Responsibilities of the investment managers shall include but not be limited to:

1. Investing and reinvesting principal and income;
2. Exercising reasonable investment discretion within the bounds of this policy and other guidelines as delineated by the Finance Committee;
3. Taking responsibility for achievement of investment objectives as described above in this policy;
4. Assuring that the investment of assets is in full compliance with all applicable laws and regulations;
5. Communicating frequently with the Finance Committee on matters pertaining to Foundation investments, including major changes in:
 - Investment outlook
 - Investment strategy
 - Asset allocation
 - Portfolio structure
 - Market value of assets
 - Significant changes in the ownership, organizational structure, financial conditions, or senior personnel staff of the investment manager

Communication by phone or letter shall be addressed to the Treasurer, Bloomsburg University Foundation, Inc., 400 East Second Street, Bloomsburg, PA 17815.

6. Provide monthly written statements showing all pertinent transaction details for each separately managed portfolio which occurred during the preceding month including the following:
 - The name and quality of each security purchased or sold with the price and transaction date.
 - An analysis for each security of its description, percentage of total portfolio, purchase date, quantity, cost basis, current market value, unrealized gain or loss, and indicated annual income and yield (%) at market value.
7. Furnishing the Finance Committee annually with the audited financial statements of the investment manager(s).

V. Evaluation and review

A. Objective

The objective of the evaluation and review process shall be to monitor the progress of The Bloomsburg University Foundation, Inc. in achieving its investment objectives.

B. Measurement of performance

Performance shall be reviewed at least quarterly by the Finance Committee and the results reported to the Board of Directors at least annually.

C. Time horizon

A three to five year time horizon will be the focus of the performance evaluation for investments.

D. Criteria for evaluation and review

Particular attention will be directed to determining whether:

1. The total portfolio is achieving its stated objectives;
2. The outside investment managers are performing satisfactorily in relation to both the investment objectives set forth in this policy, and to other investment organizations managing similar funds of accepted and recognized market indices;
3. The outside investment managers are adhering to all other requirements set forth in this policy;
4. The outside investment managers are adhering to their stated philosophy, style, and practices; and
5. The overall policies and objectives continue to be appropriate, reasonable, and achievable.

Adopted by the BU Foundation Board of Directors May 4, 1998; revised August 30, 2004