



# **CAL POLY POMONA PHILANTHROPIC FOUNDATION INVESTMENT MANAGEMENT SERVICES**

## **Notice of Request for Proposals**

Enclosed is a request for proposal for Investment Management Services for the Cal Poly Pomona Philanthropic Foundation (CPP-PF). The Foundation was established as a public charity on July 1, 2019. Currently, assets are invested in the Endowment Pool (\$100 million) and the General Investment Pool (\$32 million). The timeline for questions and for proposal submission is on page 2 for the document. We look forward to your response.

The Request for Proposal (RFP) documents are available on  
Cal Poly Pomona Philanthropic Foundation site at  
[Cal Poly Pomona Philanthropic Website](http://www.cpp.edu/~philanthropy)

Release of Request for Proposal  
**THURSDAY, JANUARY 2, 2020 AT 8:00 AM PST**

The CPP-PF will accept all proposals received on or before  
**TUESDAY, FEBRUARY 28, 2020 by 4:00 PM PST**  
CPP-PF will not accept proposals that are received after the deadline.

**ADDRESS ALL PROPOSALS TO:**  
Cal Poly Pomona Philanthropic Foundation  
Doug Nelson  
Chief Operation Officer  
Email Address: [Dnelson1@cpp.edu](mailto:Dnelson1@cpp.edu)



## PROPOSAL AND SUBMITTAL INSTRUCTIONS

Complete proposals must be delivered to the Cal Poly Pomona Philanthropic Foundation, in a sealed envelope, hand-delivered to the address below prior to **4:00 p.m. (PST) on FEBRUARY 28, 2020**. Proposals received later than the above date and time may be rejected and returned to the proposer unopened. The only acceptable evidence to establish the time of receipt is the date/time stamp imprinted upon the proposal package by the receiving Foundation employee on the 3rd floor. Proposers using common carriers such as UPS, FedEx, etc., remain responsible for ensuring that the Foundation employee has received the proposal before the deadline date, regardless of any signature obtained by the carrier. Facsimile (FAX) copies of proposals will not be accepted.

Interested proposers are directed to submit the following:

**Three (3) hard copies in separate three-ring binders with the following:**

- Labeled Divider One (1) original hard copy of Section 1 – Cover Letter
- Labeled Divider Two (1) original hard copy of Section 2 – Exceptions and Confidential Information
- Labeled Divider Three (1) original hard copy of Section 3 – RFP Submittals
- Labeled Divider Four (1) original hard copy of Section 4 – Required Documents
- Labeled Divider Four (1) original hard copy of Section 5 – Additional Submittals

**Three (3) flash drives that contain searchable format of the above sections with the required signatures.**

- Use a separate file folder for each section within the flash drive. In the event of a conflict between hardcopy and flash drive content, the hard copy shall prevail.

All flash drives must be labeled with the proposer's name and RFP title. The contents of the flash drives must be the exact replica of the original hard copy including the required signatures.

**Submit in-person your written proposal in a sealed package labeled as followed:**

<b>RFP Title:</b>	<b>CPP-PF Investment Management Services Proposal</b>
<b>Attention:</b>	Diane Rivera
<b>Delivery Address:</b>	3801 W. Temple Ave. Pomona, CA 91768 Student Services Building 121, Suite 3162



## **QUESTIONS REGARDING RFP AND POINT OF CONTACT**

Any questions, interpretations, or clarifications, either administrative or technical, about this RFP must be requested in writing by e-mail no later than the date indicated in Section 2, Schedule of Events. All written questions, not considered proprietary, will be answered in writing and conveyed to all Bidders. Oral Statements concerning the meaning or intent of the contents of this RFP by any person are not considered binding

All Proposer questions raised PRIOR to the deadline for final written questions of **February 1, 2020** shall be in writing and submitted by email to [dianerivera@cnp.edu](mailto:dianerivera@cnp.edu). Late submitted questions may not be answered.

### **Direct all questions to:**

Cal Poly Pomona Philanthropic Foundation  
Diane Rivera, Advancement Operations Coordinator  
Email address: [dianerivera@cnp.edu](mailto:dianerivera@cnp.edu)



## **Request for Proposal**

### **SECTION 1 – PURPOSE, BACKGROUND, AND TERM**

#### **1.1 PURPOSE**

The purpose of this Request for Proposal (RFP) is to solicit proposals from qualified investment consulting firms or persons, interested in providing investment consulting/advisory services and performance measurement for the Cal Poly Pomona Philanthropic (Foundation) Investment Portfolio (Portfolio) to the Investment Staff (Staff), the Finance and Investment Committee (Committee), and the Board of Directors (Board). The Foundation will select the most qualified investment consulting firm (Advisor) to provide investment consulting services based on the response to this RFP and presentations by the top candidates. The selected firm will be responsible for the management of both the endowment portfolio (approximately \$100 million) and the general investment portfolio (approximately \$30 million).

#### **1.2 BACKGROUND**

The Foundation was established in 2019 to promote, secure and steward private support for the University.

The work of the Foundation will be significant to building on the past success of the university as we look to the future. By broadening partnerships and collaborations that support the university's educational mission and by helping secure financial support, the foundation will directly support student scholarships, faculty research initiatives, and projects benefiting the economic vitality of the state and region.

#### **INVESTMENT PROGRAM BACKGROUND**

This solicitation primarily involves assistance in the management of the endowment fund under the investment authorities. A draft investment policy for endowment fund has been developed and is subject to revision upon input from the hired Advisor and approved by the Finance and Investment Committee. The investment objectives and risk tolerance of the endowment fund will be developed through collaboration amongst the Staff, the Finance and Investment Committee and the Advisor. Funds are expected to be invested with a long-term view embracing a total-return concept over a full market cycle. All funds will be managed by external investment managers.

In order to meet its fiduciary responsibilities, the Foundation has decided to engage the services of an investment consultant (Advisor) to assist Staff, the Finance and Investment Committee, and the Board. The selected Advisor will attend the Finance and Investment Committee meetings and will work closely with the Finance and Investment Committee and Staff. The Finance and Investment Committee and Staff will seek the Advisor's advice and recommendations in the design, development, implementation, reporting and monitoring of the Fund.

The selected Advisor should provide independent, objective and creative input to assist the Foundation in fulfilling its fiduciary responsibility as to the investing of assets and to maintain performance history for reporting and analysis. The requested services include, but are not limited to: setting and implementing investment objectives and asset allocation, management structures, performance measurement and analytics, manager search and evaluation, risk management and analysis, and other operational needs. The Advisor will be expected to offer analysis, advice and recommendations as detailed in Section 4 – Scope of Services.

The Foundation committee and board of directors will evaluate all proposals submitted. Finalists selected will be invited to make formal presentations of their proposals to the Finance and Investment Committee and Board of Directors. Selection of the Advisor is subject to final approval by the Foundation.

### 1.3 TERM

The initial term of contract will be three (3) years, with the Foundation retaining the option of up to three (3) successive one (1) year renewals with the same terms and conditions commencing.

### 1.4 RFP RULES AND INSTRUCTIONS

The rules governing this RFP, Proposer instructions and RFP response format are stated in Sections 3 and 6 of this RFP. Respondents are advised to carefully read, understand and comply with these requirements in preparing responses to this RFP.

## SECTION 2 – SCHEDULE OF EVENTS

### DATE

Release of Request for Proposal	01/02/2020
Last Day to Submit Written Questions	02/01/2020
Last Day for Submissions of Proposal	02/28/2020
Finalist Interviews	Beginning 03/31/2020
Notice of Intent to Award	05/06/2020
Effective Date of Agreement	07/01/2020

Addendums and responses to questions will be posted on the Foundation website. The dates up to and including the “Last day for Submission of Proposal” date may be adjusted upon prior written notice. Dates after the receipt of proposals may be adjusted without written notice. Additional RFP steps may be included at the discretion of the Foundation.

## SECTION 3 – SOLICITATION PROVISIONS AND PROPOSER’S CERTIFICATION

### 3.1 RESERVATION OF RIGHTS

The Foundation may reject any or all proposals and may waive any immaterial deviation in a Proposal. The Foundation’s waiver of an immaterial defect shall in no way modify the RFP documents or excuse the Bidder from full compliance with the specifications if the Bidder is awarded the contract. Proposals that include terms and conditions other than the Foundation’s terms and conditions may be rejected as being non-responsive. In the event all proposals are rejected, or the Foundation determines alternative solutions are in its best interest, the Foundation may cancel this solicitation and pursue alternative

sourcing options.

The Foundation may make such investigations as deemed necessary to determine the ability of the Bidder to perform the work, and the Bidder shall furnish all such information and data for this purpose. The Foundation reserves the right to reject any submittal made pursuant to this RFP or any subsequent Proposal or bid if the evidence submitted by, or investigation of, such Bidder fails to satisfy the Foundation that such Bidder is properly qualified to carry out the obligations of the contract and to complete the work specified. Additionally, the Foundation reserves the right to request additional performance guarantees if, in the sole opinion of the Foundation, financial stability or capability cannot be established.

### 3.2 NON-ENDORSEMENT

If selected as a qualified Bidder, the Bidder shall not issue any news releases or other statements pertaining to selection, which state or imply Foundation endorsement of Bidder's services.

### 3.3 DISPUTES/PROTESTS

Foundation encourages potential Bidders to resolve issues regarding the requirements or the procurement process through written correspondence and discussions. The Foundation wishes to foster cooperative relationships and to reach a fair agreement in a timely manner.

Bidder's filing a notification to protest must do so within five (5) business days after a Notice of Intent to Award has been publicly posted. The protesting Bidder shall submit a full and complete written statement detailing the facts in support of the protest within 10 calendar days after expressing notification to protest. Protest must be sent by certified or registered mail or delivered in person to the Chief Executive Officer. Within a reasonable time after receipt of the written statement of protest, the Foundation will provide a decision on the matter. The decision will be in writing and sent by certified or registered mail or delivered in person to the protesting Bidder. The decision of Foundation is final.

### 3.4 AWARD OF CONTRACT

The Foundation reserves the right to reject any and all proposals and to award one or more contracts. Award, if any, will be to the Bidder, whose proposal best complies with all the requirements of the RFP documents and any addenda. A "Notice of Intent to Award" will be posted publicly for five (5) consecutive working days prior to the award. Written notification will be made to unsuccessful vendors.

The selected Bidder and the Foundation shall commit to negotiation for the final scope of services to be accepted and execution of an agreement, in substantial accordance with the terms and conditions herein, within 30 days of the Notice of Intent to Award. Should the parties be unable to reach final agreement within this time frame, the parties may mutually agree upon a time extension to complete negotiations and contract execution. If the parties are unable to agree upon a time extension, or if the Foundation determines that a time extension would not be beneficial to the project, the Foundation reserves the right to terminate negotiations and proceed with a secondary finalist.

### 3.5 EXECUTION OF THE AGREEMENT

The Agreement shall be signed by the Contractor and returned, along with the required attachments to Foundation within **fourteen (14)** calendar days from receipt of contract. The period for execution may be changed by mutual agreement of the parties. Contracts are not effective until approved by the appropriate Foundation officials. Any work performed prior to receipt of a fully executed contract shall be at Contractor's own risk.

### 3.6 FAILURE TO EXECUTE THE AGREEMENT

Failure to execute the Agreement within the time frame identified above shall be sufficient cause for voiding the award. Failure to comply with other requirements within the set time shall constitute failure to execute the Agreement. If the successful Bidder refuses or fails to execute the Agreement, the Foundation may award the Agreement to the next qualified Bidder.

### 3.7 CONFLICT OF INTEREST

Potential Contractors are advised that Contractor's officers and employees shall comply with the disclosure, disqualification, and other provisions of California's Political Reform Act of 1974 (Government Code Section 81000 et seq.) if their responsibilities include the making or participation in the making of a Foundation decision.

### 3.8 DISABLED VETERAN BUSINESS ENTERPRISE (DVBE) INCENTIVE

In accordance with Government Code section 14838(f), and Military and Veterans Code sections 999.5(a) and 999.5(d), the Trustees shall grant a bid incentive for bid evaluation purposes only. The level of DVBE incentive will correlate to the level of participation; that is, the more DVBE participation proposed, the higher the incentive. A non-small business cannot displace a California certified small business from the top ranked position due to application of preferences or incentive.

The bid incentives levels are as follows:

DVBE Participation on this contract	Incentive
1%	1%
2%	2%
3%	3%
4%	4%
5% and above	5%

In solicitations where an award is to be made to the highest scored bidder based on evaluation factors in addition to price, the DVBE Incentive shall be a percentage of the highest responsible bidder's total score. In solicitations where an award is to be made to the low bid, the incentive is a percentage of the low bid total.

If requesting the DVBE Incentive, then complete the Bidder Declaration Form and indicate the total DVBE participation.

### 3.9 SMALL BUSINESS PREFERENCE

The State of California requires agencies to provide a five percent (5%) preference to Proposers or Bidders who qualify as either California certified small businesses or non-small businesses that commit 25% of the contract value to California certified small businesses. To be eligible, the small businesses must be certified by The Office of Small Business and DVBE Services. The rules and regulations of this law, including the definition of a small business for the delivery of services, are contained in Title 2, California Government Code, Section 14838, et seq. and Title 2, California Administrative Code, Section 1896, et seq. Copies of the codes and regulations are available online or upon request.

If requesting the Small Business Preference, then complete the Bidder's Declaration Form and indicate the total Small Business participation.

The use of the Small Business Preference shall be in compliance with the law and specifically Government Code Section 14838.B.2. In solicitations where an award is to be made to the highest scored bidder based on evaluation factors in addition to price, the preference to small businesses or microbusiness shall be 5 percent of the highest responsible bidder's total score. The preference to non-small business bidders that provide for small business or microbusiness subcontractor participation shall be up to a maximum 5 percent of the highest responsible bidder's total score, determined according to rules and regulations established by the Department of General Services. In solicitations where an award is to be made to the low bid, the preference is applied by factoring 5 percent of a non-small business low bid total and subtracting this amount from the small business bid total.

### 3.10 ACCESSIBILITY TECHNOLOGY INITIATIVE – SECTION 508

California Government Code 11135 requires that the Foundation comply with Section 508 of the Rehabilitation Act of 1973, as amended, and to apply the accessibility standards published by the U.S. Access Board for electronic and information technology (EIT) products and services that it buys, creates, uses, and maintains.

EIT is any equipment, interconnected system, or subsystem of equipment used in the creation, conversion, or duplication of data or information. EIT is defined by the Access Board at 36 CFR 1194.4 and in the FAR at 2.101. EIT includes:

- Telecommunication products, such as telephones;
- Information kiosks;
- Transaction machines;
- World Wide Web sites;
- Software and Operating Systems;
- Computers;
- Multimedia (including videotapes), and;
- Office equipment, such as copiers and fax machines.

### 3.11 PATENT, COPYRIGHT, AND TRADE SECRET INDEMINITY

A contractor may be required to furnish a bond to the Foundation against any and all loss, damage, costs, expenses, claims and liability for patent, copyright and trade secret infringement.

### 3.12 ACCOMMODATIONS FOR THE DISABLED

It is the policy of the Foundation to make every effort to ensure that its programs, activities and services are available to all persons, including persons with disabilities. Persons with a disability needing a reasonable modification to participate in the procurement process, or persons having questions regarding reasonable modifications for the procurement process may contact the buyer listed elsewhere in this solicitation.

### 3.13 LOSS LEADER

It is unlawful for any person engaged in business within this state to sell or use any article or product as a "loss leader" as defined in Section 10730 of the Business and Professions Code.

"Loss leader" means any article or product sold at less than cost:



- (a) Where the purpose is to induce, promote, or encourage the purchase of other merchandise, or
- (b) Where the effect is a tendency or capacity to mislead or deceive purchasers to prospective purchases; or
- (c) Where the effect is to divert trade from or otherwise injure competitors

### 3.14 BRAND NAMES

Any reference to brand names is intended to be descriptive, but not restrictive, unless otherwise specified. Proposals meeting the indicated standards of quality will be considered, unless otherwise specified, providing the proposal clearly describes the article offered and how it differs from the referenced brands. Unless the contractor specifies otherwise in the proposal, it is understood the Contractor is offering referenced brands as specified. The Foundation reserves the right to determine whether a substitute offer is equivalent to and meets the standards of quality indicated by the brand name references. The Foundation may require a contractor offering a substitute to supply additional descriptive material and sample.

### 3.15 BIDDER'S CERTIFICATION

By submitting a proposal, the Bidder certifies to comply with the following:

### 3.16 AMERICANS WITH DISABILITIES ACT (ADA)

Bidder assures the Foundation complies with the Americans with Disabilities Act (ADA) of 1990, which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA. (42 U.S.C. 12101 et seq.).

### 3.17 UNFAIR PRACTICES ACT

Bidder warrants that its bid complies with the Unfair Practices Act (Business and Professions Code Section 17000 et seq.).

### 3.18 VIOLATION OF AIR OR WATER POLLUTION LAWS

Unless the contract is less than \$25,000.00 or with a sole-source provider, Government Code Section 4477 prohibits the State from contracting with a person, including a corporation or other business association, who has been determined to be in violation of any State or federal air or water pollution control law. By a proposal the Bidder warrants that the Bidder has not been found to be in violation of any order or resolution not subject to review promulgated by the State Air Resources Board or an air pollution district, or is subject to a cease and desist order not subject to review issued pursuant to Section 13310 of the Water Code for violation of waste discharge requirements or discharge prohibitions, or is finally determined to be in violation of provisions of federal laws relating to air or water pollution. By submitting a bid, the Bidder certifies that it has not been identified either by published notices or by Board notification as a person in violation of State or federal air or water pollution control laws.

### 3.19 COMPLIANCE WITH NLRB ORDERS

In submitting a bid or signing a contract the Bidder swears under penalty of perjury that no more than one final, unappealable finding of contempt of court by a federal court has been issued against the Bidder within the immediately preceding two-year period because of the Bidder's failure to comply with an order of a federal court which orders the Bidder to comply with an order of the National Labor Relations Board. This provision is required by, and shall be construed in accordance with, Public Contract Code

### 3.20 ASSIGNMENT OF ANTITRUST ACTIONS

The Bidder's attention is directed to the following provisions of Government Code Sections 4552, 4553, and 4554, which shall be applicable to the Bidder:

In submitting a bid to a public purchasing body, the Bidder offers and agrees that if the bid is accepted, it will assign to the procurement body all rights, title, and interest in and to all causes of action it may have under Section 4 of the Clayton Act (15 U.S.C. Sec. 15) or under the Cartwright Act (Chapter 2, [commencing with Section 16700] of Part 2 of Division 7 of the Business and Professions Code), arising from purchases of goods, materials, or services by the Bidder for sale to the procurement body pursuant to the bid. Such assignment shall be made and become effective at the time the procurement body tenders final payment to the Bidder (Government Code Section 4552).

If an awarding body or public procurement body receives, either through judgment or settlement, a monetary recovery for a cause of action assigned under this chapter, the assignor shall be entitled to receive reimbursement for actual legal costs incurred and may, upon demand, recover from the public body any portion of the recovery, including treble damages, attributable to overcharges that were paid by the assignor but were not paid by the public body as part of the bid price, less the expenses incurred in obtaining that portion of the recovery (Government Code Section 4553).

Upon demand in writing by the assignor, the assignee shall, within one year from such demand, reassign the cause of action assigned under this part if the assignor has been or may have been injured by the violation of law for which the cause of action arose and (a) the assignee has not been injured thereby, or (b) the assignee declines to file a court action for the cause of action (Government Code Section 4554).

### 3.21 NONCOLLUSION AFFIDAVIT

By submitting a bid, Bidder hereby certifies that the bid is not made in the interest of, or on behalf of, any undisclosed party; that the bid is genuine and not collusive, false, or sham; that the Bidder has not directly or indirectly induced or solicited any other Bidder to put in a false or sham bid, and has not directly or indirectly agreed with any Bidder or anyone else to put in a false or sham bid, or to refrain from bidding; that the Bidder has not in any manner, directly or indirectly, sought to fix any overhead, profit or cost element of the bid, of that of any other Bidder, or to secure any advantage against the public body awarding the contract or anyone interested in the proposed contract.

### 3.22 SAFEGUARDS FOR PROTECTING PHILANTHROPIC INFORMATION ASSETS

By submitting a bid, Bidder acknowledges Federal privacy laws such as Gramm-Leach-Bliley Act (Title 15, United States Code, Sections 6801(b) and 6805(b) (2)) applicable to financial transactions and Family Educational Rights and Privacy Act (Title 20, United States Code, Section 1232g) applicable to student records and information from student records. In the event that such information is required for the performance of the work specified, the Bidder hereby certifies that it has the appropriate safeguards in place as required by Title 16 Code of Federal Regulation Chapter 1 Section 314.

### 3.23 COVENANT AGAINST GRATUITIES

The Bidder shall warrant that no gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by the Bidder, or any agent or representative of the Bidder, to any officer or employee of the Foundation with a view toward securing the Contract or securing favorable treatment with respect to any determinations concerning the performance of the Contract. For breach or violation of this warranty, the Foundation shall have the right to terminate the Contract, either in whole or in part, and any loss or damage sustained by the Foundation in procuring on the open market any items, which the Bidder agreed

to supply, shall be borne and paid for by the Bidder. The rights and remedies of the Foundation provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under the Contract

### 3.24 DRUG-FREE WORKPLACE CERTIFICATION

The Bidder certifies under penalty perjury under the laws of the State of California that the Bidder will comply with the requirements of the Drug-Free Workplace Act of 1990 (Government Code, Section 8355 et. seq.) and will provide a drug-free workplace by doing all that which Section 8355 et seq. requires.

### 3.25 ELECTRONIC WASTE RECYCLING ACT

In submitting a bid for electronic devices, as defined by the Electronic Waste Recycling Act of 2003, Part 3 Division 30 Changer 8.5 of the Public Resource Code, the Bidder certifies that it, and its agents, subsidiaries, partners, joint ventures, and subcontractors for the procurement, have complied with the Electronic Waste Recycling Act of 2003 and any regulations adopted pursuant to the Act, or have demonstrated to the Foundation that the Electronic Waste Recycling Act of 2003 is inapplicable to all lines of business engaged in by the bidder, its agents, subsidiaries, partners, joint venturers, or subcontractors. In addition, the Bidder agrees to cooperate fully in providing reasonable access to its records and documents that evidence compliance with the Electronic Waste Recycling Act of 2003.

## SECTION 4 – REQUEST FOR PROPOSAL SPECIFICATIONS

### 4.1 SCOPE OF SERVICE

The Foundation is seeking proposals from qualified, independent management and consulting firms for Investment Advisory Services related to the Foundation's general investments and endowment assets. Responders should be experienced in active portfolio management and serving a client base of higher educational institutions and their foundations.

The Foundation currently utilizes the services of a firm in a traditional consulting capacity. The Foundation is interested in reviewing innovative strategies and relationships; and therefore, solicits proposals for a discretionary model such as an outsourced CIO.

The Foundation seeks the following investment advisory services:

- 1) Collaborating with an investment committee consisting of Foundation personnel as well as Board of Director members to maintain and update the Foundation General and Endowment Investment Policies. This may include making recommendations such as asset allocations, investment rebalancing, changes in investment managers, and benchmark choices. A copy of the current investment policies are enclosed as Appendix A.
- 2) Providing timely and well researched recommendations for changes to the portfolio with the goal of income maximization balanced with safeguarding assets and minimizing risk.
- 3) Providing monthly and quarterly portfolio performance reports.
- 4) Participating in monthly meetings with an investment team consisting of Foundation staff and committee members.
- 5) Ongoing monitoring of portfolio, including manager due diligence and risk management.
- 6) Preparing and presenting a quarterly and annual review of investment performance and other

relevant information to the Board of Directors and Finance and Investment Committee.

- 7) Providing special reports and studies as requested by the Foundation.
- 8) Conducting technical research necessary to provide the services listed above.
- 9) Any other services that the Foundation or Investment Advisor feels is in the best interest of the Foundation's investment objectives.

The Foundation currently maintains two pools of investments as described in the policies. The short-term pool is maintained by Foundation's investment consultant. The short-term pool enables the Foundation to meet its day to day obligations. The endowment pool is invested to produce long term consistent returns to fund program and scholarship activities of the university. Refer to the IPS for information related to the current objectives, asset allocations and benchmarks for these pools.

#### 4.2 SPECIFICATIONS

Responders should include the following information in the given order so as to facilitate comparisons between responses.

##### 1) Firm Profile

- a. Provide a summary of the Firm, including the location of all offices, the year formed and a brief history.
- b. Provide the Firm's website.
- c. Describe the Firm's core mission, vision and values. How often are these items evaluated and how have they changed in the past ten years?
- d. Explain the ownership structure of the Firm, including details with regard to parent of affiliated companies. Describe the financial condition of the Firm, parent and affiliates. Provide information regarding changes in ownership or restructuring that have occurred in the past three years or that are anticipated in the future. Include discussion of any anticipated significant changes in the Firm such as plans for future growth and/or succession planning.
- e. Categorize the Firm's revenue source between retail and institutional accounts.
- f. Identify the types of accounts primarily sought by the Firm.
- g. Provide a representative client list, indicating any client relationship with less than a two (2) year history.
- h. Provide the assets under management and details of the various asset classes under management.
- i. Provide a brief history of the development and evolution of the OCIO business from inception to present day, and the relevance of any historical experience/track record that lend credibility to your firm's experience within the OCIO industry.
- j. Describe the Firm's average, mean, largest and smallest client size.

- k. Specify the number of years of experience the Firm has with nonprofit entities, specifically higher education institutions and their foundations.
- l. Describe the Firm's historical client turnover rate. Provide the number of clients that have been gained or lost over the past three (3) years. For those clients lost in the last twelve months, please provide the reason(s) for termination.
- m. Please describe the levels of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance carried by the firm that would apply to the delivery of services to Cal Poly.

## 2) Personnel

- a. Identify key individuals in the Firm and provide a biography of each including education, employment history, and number of years with the Firm.
- b. Identify key staff who would be directly involved in serving the Foundation and provide a biography including education, employment history, professional designations, number of years with the Firm, experience with higher education or other institutional client engagements, current position and anticipated role in this engagement. In the event the Firm is selected, the Foundation would expect these identified key staff would not be changed without prior written consent. Please acknowledge your ability and willingness to comply with this condition.
- c. How many clients/accounts does each professional or team of professionals support?
- d. Describe the Firm's compensation arrangement for professional staff including any circumstances under which the Firm or any professional receives compensation or finder's fees from investment managers.
- e. Explain the Firm's policies and programs to retain key personnel.
- f. Describe how the Firm will provide continuity of services in the case of professional turnover.
- g. Describe the turnover of professionals at the Firm for the past three years.

## 3) Compliance and Control

- a. Is the Firm a registered investment advisor under the Investment Advisors Act of 1940? If yes, please provide the latest Form ADV.
- b. Describe any situation in which the Firm provides incentives to anyone working with a client to promote one financial product over another.
- c. Provide a copy of the Firm's Code of Conduct, Ethics Policy and Conflicts of Interest Policy. How are these policies monitored and enforced?
- d. Describe any potential conflicts of interest issues your Firm would have in servicing the Foundation.
- e. Describe any SEC or regulatory census, litigation or investigation within the last five (5)

years involving the Firm, or any of its principals, employees or representatives.

#### 4) Investment Advisory Services

- a. Provide the Firm's investment philosophy.
- b. Describe the process the Firm will use to help the Foundation achieve: 1) appropriate policy statements and objectives; 2) asset allocation; 3) disciplined rebalancing; and 4) tactical asset allocation changes. Include discussion of the Firm's experience in doing so for other similar clients.
- c. Discuss the Firm's capability to provide asset modeling studies.
- d. Describe the process the Firm uses to develop asset class expected return/risk assumptions.
- e. Describe how the Firm monitors and controls portfolio risk.
- f. Describe how benchmarks are chosen or developed.
- g. Describe the Firm's position regarding the employment of active investments versus passive investments.
- h. Describe the Firm's capabilities and approach regarding alternative investments, specifically hedge funds and non-marketable alternative investments. Include the Firm's viewpoints on investing in alternative assets with such information as suggested allocation, types of vehicles, etc.
- i. Describe the Firm's philosophy toward utilizing index funds /ETFS.
- j. Address the Firm's philosophy toward separately managed accounts and mutual funds.
- k. Provide feedback on the Foundation's current asset allocation as compared to the Firm's current investment philosophy.

#### 5) Investment Selection and Research

- a. Describe the range of investment choices / products the Firm typically offers or recommends.
- b. Describe a typical management search process conducted by the Firm.
- c. Describe the process the Firm uses to identify potential investment managers. Indicate the quantitative tools utilized by the Firm to evaluate managers and the market. In addition, indicate whether these tools were developed in-house or purchased from outside vendors.
- d. Does the Firm have in-house professionals dedicated to manager research? If yes, how many and what are their credentials? Describe their role in the selection process. Specify the individuals dedicated to research for alternative investments.
- e. Describe how the Firm categorizes equity managers by style.

- f. Describe the Firm's approach to ongoing manager due diligence.
- g. Describe the Firm's involvement in negotiating fees with investment managers.
- h. Describe in detail the Firm's process for review and termination of investment managers. What are the Firm's criteria for placing a manager on a watch list?
- i. Describe your experience/expertise with private capital investments. What resources do you have focused on the asset class? Have you facilitated secondary market transactions on a client's behalf to buy a partnership and/or sell a partnership?
- j. Describe your approach to transitioning portfolios for new clients. Are portfolio transitioning costs included in your stated fees? Does your firm assume fiduciary duty over the liquidation and transition of legacy assets to your proposed target portfolio?
- k. Describe your firm's approach to environmental, social and governance investing, united nations sustainable development goals, and united nations principles for responsible investment.

#### 6) Performance Measurement/Evaluation and Reporting

- a. Describe the Firm's approach, philosophy, capabilities, and experience in providing performance evaluation services.
- b. What checks are done to review client portfolio weightings against target, range or a model portfolio? With what frequency is this performed?
- c. Include a list of all asset categories tracked in the Firm's performance database and how many years of data are maintained for each.
- d. Describe the frequency (e.g. monthly, quarterly) and format of the performance reports produced by the Firm. If possible, include an abbreviated sample report.
- e. Specify the time the Firm takes to deliver performance reports after the end of the investment period. What method of delivery is used?
- f. Describe the sources of data the Firm uses in calculating investment performance.
- g. Does the Firm have the ability to customize reports for clients, including audit support? Is there an additional fee for audit support?
- h. Does the firm have the ability to integrate past historical data from the Foundation to provide a long-term perspective?

#### 7) Client Interaction

- a. Describe the Firm's preferences for client communications. For example, does the Firm prefer all client communication to flow through one contact person?
- b. What is a reasonable expectation for frequency of communication including in person meetings (email, conference call, etc.)?
- c. What services does the Firm provide for the education of the Foundation Finance and



Investment Committee?

- d. Describe how the Foundation would transition investment services to the Firm.
- e. Discuss the Firm's approach to custodial services, if necessary. Does the Firm prefer the client use certain custodians? If yes, which one(s) and why?
- f. How does the Firm interact and work with custodians?
- g. Describe the Firm's policies regarding the confidentiality of client information, especially regarding changes or potential changes in outside managers or asset allocation.
- h. How does the Firm interact with clients on decision-making? What roles are performed by the client and what roles are performed by the Firm? If the Firm proposes a discretionary model, describe the Foundation's level of involvement (if any) in decisions that are aligned with the IPS but represent a change in strategy.

#### 8) Fees

- a. Outline the Firm's fee structure and services included. Provide a fee proposal for each of the services the Firm is proposing to provide. If hourly billing rates are part of the fee structure, provide the current billing rates for professionals expected to perform services for the Foundation. Indicate if travel costs and miscellaneous expenses are billed separately.
- b. Indicate any other form of compensation not yet revealed which the Firm may receive as a result of working with the Foundation. Describe the Firm's philosophy on the acceptance of soft dollars and the potential conflicts of interest that may result.
- c. Are the basis point fees guaranteed for a set period? How long?

#### 4.3 REFERENCES

Provide names and contact information of three client references within higher education or not for profit industry. Indicate the length of time serving each client.

#### 4.4 REQUEST FOR PROPOSAL RESPONSE FORM AND PROPOSAL FORMS

##### **Respondent Signature and Information Form:**

In addition to the information requested in the previous sections, please complete the following:

#### 4.5 INSURANCE AND LIABILITY

1. Please describe the levels of coverage for errors and omissions insurance and any fiduciary or professional liability insurance your firm carries. Is the coverage on a per client basis, or is the dollar figure applied to the firm as a whole?
2. What limitation on liability, if any, do you impose through your contract?

#### 4.6 SUBCONTRACTING

1. If your firm uses the services of a subcontractor, please identify the subcontractor and describe the skills and qualifications of the subcontractor and its individual employees.
  - Describe the decision process the firm utilized in determining why to use a

ISSUED DATE: January 2, 2020

RFP TITLE: Cal Poly Pomona Philanthropic Foundation – Investment Management Services

<https://www.cpp.edu/~philanthropy/about/public-documents.shtml>



- subcontractor(s) and how the subcontractor(s) was selected.
- Describe what portions of the project will be assigned to the subcontractor and what percentage of total scope of services would be allocated to the subcontractor.

#### 4.7 SUSTAINABILITY

Firms must present information describing their current sustainable practices, to include, as applicable, the areas of natural resources, company operation and positive social/community impact, written policy statement, sustainable business practices and environmentally preferable purchasing practices or updates to Vendor's sustainable practices, as applicable.

#### 4.8 FEES FOR SERVICES/MISCELLANEOUS

Do you intend to charge for "special projects?" How would special projects be defined and billed? Please list any anticipated miscellaneous expenses and disbursement (and/or administrative "load" or other charges) for which you intend to charge.

#### 4.9 REQUIRED DOCUMENTS

- Firm Wide Organizational Chart. Describe the relationship between each component and your consulting group.
- Consulting Group Organization Chart. If consultants are organized into teams, please identify teams in the organization chart.
- Detail all appropriate licenses and registrations (NASD) of the team members. Please provide documentation of professional licenses.
- Detail any enforcement action taken by regulatory agencies against any team member.
- Client List including the type of services provided and the length of time your firm has provided those services to each client. Please include your five largest public plan clients and their approximate asset size.
- Sample Asset Allocation Monitoring Report.
- Sample Recommended Asset Allocation Supplement.
- Most Current Capital Market Assumption (7 years or longer; preferably 10-15-years).
- Furnish an example of a recent investment manager search, including:
  - The circumstances surrounding the decision to search for a new investment manager, your role
  - Any recommendations your firm made
  - The selection criteria followed
  - The top three to five managers under consideration
  - The process used to determine these finalists
  - The Finalists Presentation/Evaluation Process
  - The final selection and
  - Post selection performance of the investment manager.
- Provide one example of a written recommendations to hire and one recommendation to terminate an investment manager that you have made to a client within the last 12 months. Include copies of supporting documentation you provided to your client.
- Sample Quarterly Performance Report for a current public sector client.
- Sample Monthly Flash Performance Report or a current public sector client.
- Sample Investment Policy Statement that you consulted on
- Samples of one research reports on special topics generated by your firm.
- Sample of an investment related educational presentation.
- Biographies for all senior level investment professionals in your firm.
- Certificate(s) of Insurance evidencing coverage as described in your proposal.

- Firm's Last Annual Financial Report.
- Form ADV Parts 1 and 2.

## **SECTION 5 – EVALUATION AND SELECTION CRITERIA**

### **5.1 Selection Criteria**

The Foundation will only consider proposals from financially responsible and responsive firms and organizations presently engaged in the business of providing Investment Consulting/Advisory Services. The award will be made to the most responsible and responsive vendor or partnership group whose proposal is determined to be the most advantageous to the Foundation based on the evaluation criteria listed below in order of importance.

### **5.2 Evaluation Method**

All proposals shall be reviewed to verify the Proposer has met the RFP submission requirements. Proposals that have not followed the rules, do not meet minimum content, requirements, qualifications, quality standards, take unacceptable exception to the terms and conditions, or are non-responsive to the required responses in this RFP will be eliminated from further consideration.

Proposals determined to have met the RFP requirements will be reviewed and evaluated by the evaluation team. As a part of this review, the Foundation may require proposing firms or organizations to clarify the information submitted. This clarification process may be conducted through written or electronic correspondence or through an interview with the evaluation team.

Responsive Proposers found to be most qualified to perform the services required, based upon the listed criteria, will be down-selected as Finalists and may be required to give oral interview/presentations to the evaluation team as part of the evaluation process. The purpose of interview/presentation is to give finalists an opportunity to demonstrate their ability to perform the scope of work defined in this RFP and clarify outstanding issues. It is in the proposing firms' best interests to submit thorough and complete proposals and not depend on the presentation process to provide additional information. All firms and organizations or partnership groups selected for an interview and presentation will be notified of the proposed interview date(s) and location at least one week in advance.

Firms and organizations or partnership groups selected for interview must present, for in-person interview, both the dedicated/lead point of contact for the project and the vendor representative with financial decision-making authority for the project.

From among the Finalist proposers the Foundation may select one or more firm(s) and or organization(s) to enter into final proposal negotiations for the contract award. Finalist proposers may be required to participate in negotiations and to submit best and final price, technical or other revisions to the proposal in order for Foundation to complete RFP scoring and selection process.

All proposers will be notified in writing once one or more firms have been selected.

The Foundation Evaluation Team will make its evaluation based on the criteria below.

### **5.3 Evaluation Criteria**

The contract will be awarded to the Proposer who best satisfies the requirement at an optimum cost level. Cost will not be the sole criteria for determining the contract award.

All proposals will be reviewed by an evaluation committee comprised of staff to verify that the proposal has met the minimum qualifications and submission requirements. Proposals that do not meet minimum qualifications shall be disqualified. Proposals that meet the minimum qualifications will be further evaluated and points will be assigned according to the selection criteria as listed below:

<u>Evaluation Criterion</u>	<u>Maximum Possible Score</u>
Qualifications and Services of the Firm	20 Points
Relevant Experience	10 Points
Reporting and Portfolio Evaluation	20 Points
Investment Policy	20 Points
Asset Allocation	20 Points
Fee Structure	10 Points
<b>TOTAL</b>	<b>100 Points</b>

### **FEE PROPOSAL FOR INVESTMENT CONSULTING/ADVISORY SERVICES**

Provide your lowest proposed fees in US dollars for non-discretionary, **Investment Consulting and Advisory services** presented in the format shown below. The Scope of Services, as set forth in this RFP, should form the basis of your proposed fees.

<b>Year</b>	<b>Fee</b>
Year 1	\$
Year 2	\$
Year 3	\$
Year 4 (Foundation Option)	\$
Year 5 (Foundation Option)	\$
Year 6 (Foundation Option)	\$

### **FEE PROPOSAL FOR SEPARATELY PROPOSED ADD ON SERVICE**

Provide your lowest proposed fees in US dollars for non-discretionary, separately proposed add on service of **Alternative Investment Consulting** present in the format shown below. The Scope of Services, as set forth in this RFP, should form the basis of your proposed fees.

<b>Year</b>	<b>Fee</b>
Year 1	\$
Year 2	\$
Year 3	\$
Year 4 (Foundation Option)	\$
Year 5 (Foundation Option)	\$
Year 6 (Foundation Option)	\$

Negotiations of the fee may become necessary. In no case will the negotiations result in a fee that is higher than the fee contained in the proposal.

Any services which are provided to the Foundation and which exceed the Scope of Services must be negotiated separately in advance of providing such service.

## **SECTION 6 – PROPOSAL INSTRUCTIONS, CONTENT, AND FORMAT**

### **6.1 INSTRUCTIONS**

#### **6.1.1 QUESTIONS REGARDING RFP AND POINT OF CONTACT**

Any questions, interpretations, or clarifications, either administrative or technical, about this RFP must be requested in writing by e-mail no later than the date indicated in Section 2, Schedule of Events. All written questions, not considered proprietary, will be answered in writing and conveyed to all Bidders. Oral Statements concerning the meaning or intent of the contents of this RFP by any person are not considered binding.

All Proposer questions raised PRIOR to the Deadline for Final Written Questions of February 1, 2020 shall be in writing and submitted by email to [dianerivera@cpp.edu](mailto:dianerivera@cpp.edu) .  
Late submitted questions may not be answered.

#### **Direct all questions to: Cal Poly Pomona Philanthropic Foundation**

Diane Rivera, Advancement Operations Coordinator  
Email address: [dianerivera@cpp.edu](mailto:dianerivera@cpp.edu)

#### **6.1.2 ERRORS AND OMISSIONS**

If prior to the date fixed for submission of Proposal, any Bidder discovers any ambiguity, conflict, discrepancy, omission or other error in the RFP or any of its exhibits and/or appendices, Bidder shall immediately notify the Foundation of such error in writing and request modifications or clarification of the document. Modifications may be made by addenda prior to the RFP response deadline. Clarifications will be given by written notice and posted online to all active Bidders, without divulging the source of the request for it.

#### **6.1.3 ADDENDA**

The Foundation may modify this RFP, any of its key action dates, or any of its attachments, prior to the date fixed for submission by issuance of a written addendum posted to the RFP website. Addenda will be numbered consecutively as a suffix to the RFP Reference Number.

#### **6.1.4 CANCELLATION OF SOLICITATION**

This solicitation does not obligate the Foundation to enter an agreement. The Foundation retains the right to cancel this RFP at any time for any reason. The Foundation also retains the right to obtain the services specified in this RFP in any other way. No obligation, either expressed or implied, exists on the part of the Foundation to make an award or to pay any cost incurred in the preparation or submission of response to the RFP.

#### **6.1.5 REVISIONS IN BID SOLICITATION**

This solicitation does not obligate the Foundation to enter into an agreement. The Foundation reserves the right to cancel this solicitation at any time, should the project be canceled. The Foundation loses the required funding, or it is deemed in the best interest of the Foundation. No obligation either expressed or implied, exists on the part of the Foundation to make an award or to pay any cost incurred in the preparation or submission of a bid.

#### **6.1.6 COMPLIANCE WITH RFP**

To be compliant with the administrative requirements of this RFP, Bidder must meet the mandatory requirements and complete and return the list of submittals in Section 7, Instructions, Content, and Format.

#### **6.1.7 COMPLETION OF PROPOSAL**

Responses to the RFP shall be complete in all respects as required by this solicitation. A Submission may

be rejected if conditional or incomplete, or if it contains any alterations or other irregularities of any kind, and will be rejected if any such defect or irregularity could have materially affected the quality of the submission. Documents which contain false or misleading statements, or which provide references that do not support an attribute or condition claimed by the Bidder, may be rejected. Statements made by a Bidder shall also be without ambiguity, and with adequate elaboration, where necessary, for clear understanding.

#### 6.1.8 DELIVERY OF PROPOSAL

The Proposal must be received in writing. No late proposals will be accepted.

#### 6.1.9 EXCEPTIONS

In the event a Bidder believes that this RFP is unfairly restrictive or has substantive errors or omissions in it, the matter must be promptly brought to the attention of the Foundation's contact, either by e-mail, letter or facsimile, immediately upon receipt of the RFP, in order that the matter may be fully considered and appropriate action taken by the Foundation prior to the closing time set for submission.

#### 6.1.10 ALTERNATIVE PROPOSALS

Only one proposal is to be submitted by each Bidder. Multiple proposals shall result in rejection of all proposals submitted by the Bidder.

#### 6.1.11 WITHDRAWAL OR PROPOSAL

A Proposal may be withdrawn after it is received by the Foundation by written request signed by the Bidder or authorized representative, prior to the time and date specified for Proposal submission. Proposal may be withdrawn and resubmitted in the same manner if done so prior to the appropriate deadline. Withdrawal or modification offered in any other manner will not be considered.

#### 6.1.12 PROPOSALS BECOME THE PROPERTY OF THE FOUNDATION

Proposals become the property of the Foundation and information contained therein shall become public documents subject to disclosure laws after Notice of Intent to Award. The Foundation reserves the right to make use of any information or ideas contained in the Proposal. Proposals may be returned only at the Foundation's option and at the Bidder's expense. One copy shall be retained for official files. Responses to this RFP and any other information that is currently or may become available as an outcome of the RFP process may be used by the Foundation to structure an RFP or other solicitation. If the Proposer fails to notify the Foundation of a known error or an error that reasonably should have been known prior to the final filing date for submission, the Proposer shall assume the risk. If awarded the contract, the Proposer(s) shall not be entitled to additional compensation or time by reason of error or its late correction.

#### 6.1.13 CONFIDENTIAL MATERIAL

Bidder must notify the Foundation in advance of any proprietary or confidential materials contained in the Proposal and provide justification for not making such material public. The Foundation shall have sole discretion to disclose or not disclose such material subject to any protective order that Bidder may obtain.

Final bids are public upon award of contract; however, the contents of all proposals, correspondence, agenda, memoranda, working papers, or any other medium which discloses any aspect of a bidder's proposal shall be held in the strictest confidence until Notice of Intent to Award is issued. The content of all working papers and discussions relating to the bidder's proposal shall be held confidential indefinitely unless the public interest is best served by an item's disclosure because of its pertinence to a decision, agreement or an evaluation of the bid.

#### 6.1.14 BIDDER'S COST

Costs for developing proposals are entirely the responsibility of the Bidder and shall not be chargeable to

the Foundation.

#### 6.1.15 INSPECTION OF SOLICITATION DOCUMENTS

Bidder shall carefully review all documents referenced and made a part of this solicitation to ensure that all information required to properly respond to the solicitation has been received or made available and all requirements are priced in the proposal. Failure to examine any document, drawing, specifications, or instruction will be at the Bidder's sole risk. It is the Bidder's responsibility to provide the Foundation with current information and to update the Foundation immediately of any changes.

#### 6.2 Content and Format

To be considered responsive to this RFP, Bidder must submit proposals in the format identified in this section. All requirements and questions in the RFP must be addressed and all requested data must be supplied. The Foundation reserves the right to request additional information that in the Foundation's opinion is necessary to assure that the Bidder's competence, number of qualified employees, business organizations, and financial resources are adequate to perform according to the contract requirements. In addition, the Foundation reserves the right to request additional clarifying information on any aspect of a Bidder's proposal.

Proposals should be prepared in such a way as to provide straightforward, concise delineation of capabilities to satisfy the requirements of this RFP. Proposals should emphasize the Bidder's demonstrated capability to perform work of this type. Promotional materials, graphics etc., are not necessary or desired. However, literature describing the proposed services and extent of support included in the proposal can be forwarded as part of the proposal.

#### 6.2.1 PROPOSAL CONTENT AND FORMAT

All Bidders are also required to complete the RFP Submittals below. Proposals shall adhere to the following format for organization and content. Proposals must be divided into the individual indexed sections listed below.

**All proposals must be compiled into two PDF documents with no security restrictions.  
Document 1 shall include Sections 1-4 below. Document 2 shall include Section 5.**

##### Section 1 – Cover Letter

The cover letter shall include:

1. A brief statement of intent to perform the services proposed.
2. Signature of an authorized officer of the organization who has legal authority in such transactions.
3. Full contact information (overnight mailing address, phone, fax, e-mail, etc.) for the individual designated as the Foundation contact on this RFP and a secondary contact.
4. Acknowledgement receipt of all addenda issued.
5. Expressly state that, should the Bidder's proposal be accepted, the Bidder agrees to enter into a contract under the terms and conditions as set forth herein.

***Note: Proposals with unsigned cover letters will be rejected.***

##### Section 2 – Exceptions and Confidential Information

Any and all exceptions to the RFP must be listed on an item-by-item basis and cross-referenced with the RFP document. If there are no exceptions. Bidder must expressly state that no exceptions are taken. Please Note: Taking exceptions to proposal requirements may render a Bidder's proposal non-responsive and rejected from further consideration.

Section 3 – RFP Submittals

This section shall consist of the following response to:

1. Response to Minimum Qualifications (Section 3 and certification form)
2. Response to Section 4 – Consulting Advisory Services

Please limit the response in this section to 25 pages using  
a font size no smaller than 11.

Section 4 – Required Documents

This section shall consist of the following response to Section 4

Section 5 – Additional Submittals

1. Fees/Price Proposal (See Section 5)

**By signing below, Contractor warrants that it is not subject to an unresolved finding for recovery under ORC 9.24. If the warranty is false on the date the parties sign an Agreement resulting from this RFP, such and any future Agreement is void *ab initio*, and the Contractor must immediately repay to the Foundation any funds paid under any such Agreement.**

TERMS: \_\_\_\_\_

CONTRACTOR QUOTING: \_\_\_\_\_

FEDERAL TAX ID No. OR SOCIAL SECURITY No: \_\_\_\_\_

FIRM NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

\_\_\_\_\_

TELEPHONE No: \_\_\_\_\_

FAX No: \_\_\_\_\_

EMAIL: \_\_\_\_\_

AUTHORIZED SIGNATURE: \_\_\_\_\_

NAME OF SIGNEE: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

\*All bids submitted are taken by the Foundation as offers to sell by the Proposer and acceptance shall occur only by the issuance of a University purchase order or where appropriate, upon the execution of a written contract.





## **POLICIES AND PROCEDURES**

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**Subject: Endowment Investment Policy**

**Policy No. 502**

**Date: 07/2019**

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### **I. PURPOSE AND INTENTION**

The purpose of this statement is to establish a clear understanding between the Cal Poly Pomona Philanthropic Foundation (Foundation) and their Investment Managers regarding investment objectives and policy guidelines. The Foundation's Endowment Investment Policy is to be governed by Sections 5210 and 5231 of the California Corporations Code, and California Probate Code Section 18500 *et seq.* (*Uniform Prudent Management of Institutional Funds Act*).

### **II. OBJECTIVE**

The Foundation monitors and forecasts expenditures and revenues, thus enabling the Foundation to invest funds to the fullest extent possible. The Foundation attempts to obtain the highest return available, while investments meet the criteria established for safety (preservation of capital), return and liquidity.

#### **A. SAFETY**

Safety of principal within the context of positioning the portfolio to have a reasonable probability of achieving the targeted returns noted in this policy is the foremost objective of the Foundation. Management of the portfolio shall be undertaken with the objective of minimizing the opportunity for loss of capital with the understanding that a degree of risk must be accepted for the portfolio to achieve the return objectives in both absolute and relative terms. The achievement of a positive risk-adjusted return is dependent upon proper design and execution of the investment strategy. In managing the portfolio, the Foundation shall be cognizant of two types of risk: credit risk and market risk.

1. Credit Risk or the risk of loss due to failure of the issuer, is managed by proper due diligence prior to investing and on an ongoing basis, and diversifying the investment portfolio so the failure of any one issuer would

not materially affect the performance of the portfolio.

2. Market Risk is the risk of investment value fluctuation due to changes in the general level of interest rates or the issuer's individual or industry sector performance. This risk shall be managed by limiting the average duration of the fixed income portion of the Foundation's investment portfolio to five years and the maximum duration of any one security to ten years, with the exception of Mortgage-Backed Securities (MBS), the maximum maturity of which shall be limited to 30 years. Market risk shall also be mitigated by structuring the portfolio so fixed income securities match cash outflows, eliminating the need to sell securities prior to their maturity. With respect to the equity portion of the portfolio, market risk is managed by due diligence in selecting and monitoring investees as well as diversification by company and by industry sector. It is recognized that within a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the overall return on the investment.

#### **B. RETURN ON INVESTMENT**

The Foundation's endowment investment portfolio shall be designed to attain or exceed a target rate of return throughout economic cycles consistent with risk limitations and prudent investment principles. The target rate of return shall be measured in "absolute", "relative" and "comparative" terms as determined from time-to-time, by the Finance and Investment Committee. See Return Objective Section IX of this Endowment Investment Policy for further details.

#### **C. LIQUIDITY**

The Foundation's endowment investment portfolio will remain satisfactorily liquid to enable the Foundation to meet anticipated operating and cash flow requirements. Historical and cash flow needs are to be analyzed continuously.

### **III. SCOPE**

The funds identified in this section and entrusted to the Foundation will be pooled in an actively managed portfolio. The Foundation shall oversee management of the portfolio within the content of the "Uniform Prudent Management Investment Funds Act of 2008" section 18503 (b) which states:

"...each person responsible for managing and investing an institutional fund shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances."

This policy is applicable, but not limited to permanent endowment funds.

### **IV. DELEGATION & GRANTS OF AUTHORITY**

Responsibility for the investment program has been delegated by the Foundation Board of Directors to the Finance and Investment Committee. It is the responsibility of the Finance and Investment Committee, in concert with the authorized investment manager and/or advisor, to monitor and adjust from time to time, the target weighting within the asset allocation ranges allowed per the Target Asset Mix Table, (see section X – Target Asset Allocation). Any changes to the target weighting within the

asset allocation ranges will be reported to the full Foundation Board at its next regularly scheduled meeting. A report on portfolio performance will be provided to the full Foundation Board at each regularly scheduled Board meeting.

The authority to execute investment transactions affecting the Foundation's portfolio shall be under the general direction of the Chief Executive Officer and the Chief Financial Officer.

## **V. ETHICS AND CONFLICT OF INTEREST**

All Foundation Board members and investment personnel including family members shall refrain from personal business activity which could create a conflict in fact or in appearance with proper execution of the investment program, or which could impair their ability to execute impartial investment decisions. All such personnel shall disclose to the Chief Executive Officer any material financial interests in financial institutions which conduct business within the jurisdiction and shall disclose any material financial investment positions which could be related in a conflicting manner to the performance of the Foundation's endowment investment portfolio. The Chief Executive Officer shall report in writing to the full Board at least annually all issues, which could influence the performance of the Foundation's endowment investments.

## **VI. CRITERIA FOR SELECTION OF INVESTMENT MANAGERS**

In order to retain investment management organizations that have demonstrated competence in executing one or more investment strategies consistent with the established policy, the following criteria will be applied in retaining existing firms and selecting new investment managers:

- A. Demonstrated performance in one or more of the asset categories defined in section X.
- B. A sound research program;
- C. A disciplined, consistent and measurable approach to the construction and monitoring of portfolios;
- D. Established investment control procedures with operating management information to assure regular review of the portfolio manager's decisions;
- E. Ability to trade at the competitive rates and consistently secure best price execution;
- F. Primary business purpose will be investment management and will have sufficient experience with educational investment assets;
- G. Demonstrated ability to manage its affairs in a businesslike manner and with a high degree of financial stability;
- H. An experienced, highly competent professional staff, recognized as such within the industry. Continuity of such personnel will be considered;
- I. No conflict of interest with the policy, objectives, or organization of the

investment portfolio, nor any conflict which would interfere with prudent management of the portfolio's assets;

- J. Capability to report accounting and performance data in a timely manner;
- K. Competitive fee structure.

## **VII. AUTHORIZED INVESTMENT ADVISORS**

All custodians, investment advisors and brokers who perform investment transactions for the Foundation must supply the Chief Executive Officer with the following:

- A. Audited financial statements\*
- B. Proof of National Association of Security Dealers certification\*\*
- C. Proof of registration with the SEC and a copy of their ADVI\*\*\*
- D. Proof of state registration
- E. Completed broker/dealer questionnaires
- F. Certificate of reviewing and understanding the Foundation's Endowment Investment Policy
- G. Certificate of understanding the delivery versus payment instructions for custody
- H. Conflict of interest certification statement

\* Custodians and brokers only

\*\* Brokers only

\*\*\* Investment advisors only

A review of the financial condition and registration of the qualified broker/dealers and other bidders will be conducted by the Chief Financial Officer (CFO) at least every three (3) years. This review shall be reported to the Finance and Investment Committee as an "information item only."

## **VIII. PERFORMANCE EVALUATION**

Performance will be reviewed for purposes of determining adherence to appropriate risk levels, and for comparison of returns to the established objectives and specific goals.

It is recognized that investment results can fluctuate through market cycles. Achievement of total rate of return within the risk levels identified will be the primary basis upon which to evaluate manager performance. Each manager's portfolio will be monitored and reported quarterly to the Finance and Investment Committee. A comprehensive quarterly report accepted by the Committee will be presented to the full Board of Directors.

## **IX. RETURN OBJECTIVE**

The purpose of the Endowment Fund is to support the University and its mission over the long term. Accordingly, the purpose of this statement is to establish a written procedure for the investment of the Endowment's assets, and to ensure that the future growth of the Endowment is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the Endowment. This statement will establish appropriate risk and return objectives in light of the fund's risk tolerance and investment time horizon. These objectives, as well as asset allocation guidelines and suitable investments are outlined below.

The return objectives of the Endowment Fund shall be viewed from three perspectives as follows: **Absolute** - Real (i.e., net of inflation) rate-of-return; **Relative** - Time-weighted rates of return versus capital market indices; and **Comparative** - Performance of the Investment Manager(s) as compared to a universe of similar investment funds.

1. The **Absolute Objective** of the Endowment Fund is to seek an average total annual return of 4.0% plus the percentage change in the greater Los Angeles area CPI. This objective shall be measured over rolling one, three, five and ten year time periods; The intent of this objective is to measure, over time, the return on the portfolio as measured in, inflation adjusted terms.

2. The **Relative Objective** of the Endowment Fund is to seek competitive investment performance versus appropriate capital market benchmarks or indices. The goal shall be to meet or exceed the benchmarks or indices net of investment fees at an overall level of risk in the portfolio, which is consistent with the risk associated with the benchmarks or indices. This objective shall be measured primarily by comparing investment results over an annualized year-to-date, one, three, five and ten year time periods, to:

- a) The Russell 3000 Index as a benchmark for the Domestic Equity component;
- b) The MSCI All Capitalization World excluding US Index (in US dollars) for the Foreign Equity component;
- c) The Barclays Aggregate Bond Index as a benchmark for the Fixed Income component;
- d) The 90-Day Treasury Bill Index as the benchmark for the Cash and Equivalent component.
- e) A comparable Index for the Real Assets component.
- f) A comparable REIT Index for Real Estate component.
- g) A comparable Index for the Hedge Funds component.
- h) A comparable Index for the Private Equity component.

3. The **Comparative** performance objective of the Endowment Fund is to achieve a total rate of return that is above the median performance of universe of similar portfolios.

The endowment assets have a long-term, indefinite time horizon that runs concurrent with the endurance of the institution, in perpetuity. As such, these funds can assume a time horizon that extends well beyond a normal market cycle, and can assume an above-average level of return volatility (as measured by the standard deviation of annual returns) in exchange for an expected higher level of returns over the longer time horizon. It is expected, however, that both professional management and sufficient portfolio diversification will smooth volatility and help to assure a reasonable consistency of return.

## **X. TARGET ASSET ALLOCATION**

To achieve its return objectives, the Endowment Fund shall be allocated among a number of asset classes. These asset classes may include: domestic equity, domestic fixed income, foreign (developed and emerging) equity, international fixed income, real estate, real assets, hedge funds and cash. These asset classes may also include global funds where the manager is allowed to choose the weighting between domestic and international securities. The purpose of allocating among asset classes is to ensure the proper level of diversification within the Endowment Fund. It is understood that endowments may temporarily be placed in a cash equivalent account prior to investing in longer term instruments.

The following Target Asset Mix Table defines the Endowment Fund's target asset allocation.

**Target Asset Mix Table**

<b><u>Asset Class</u></b>	<b><u>Range</u></b>	<b><u>Target Wt.</u></b>	<b><u>Representative Index</u></b>
Equities			
Domestic	20 - 50%	35.0%	Russell 3000
Foreign	15 - 35%	30.0%	All Cal World X US
Developed			MSCI EAFE
Emerging			MSCI Emerging
Fixed Income incl. MBS (Domestic and International)	20 - 50%	25.0%	Barclay Aggregate
Cash Equivalents	0 - 20%	0%	90 Day Treasury Rate
Real Estate	0 - 10%	0%	Comparable Index
Real Assets	0 - 10%	0%	Comparable Index
Hedge Funds	0 - 20%	5.0%	Comparable Index
Private Equity	0 - 20%	5.0%	Comparable Index

**No more than 5 percent of the asset class may be invested in any single equity or fixed income issuer, with the exception of U.S. Treasury, Agency and Mortgage Back securities, at the time of purchase.**

**Exposure to any industry sector shall generally be limited to 20 percent of the asset class, excluding U.S. Treasury Securities, U.S. Government Agency Securities and Mortgage Back, at time Securities of purchase. This sector limitation is applicable to both debt and equity.**

\* All limitations expressed on a market value basis.

The Endowment Investment Policy objective shall be to diversify investments among asset classes so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

Investments in international issues shall be U.S. dollar denominated or appropriately hedged so as to eliminate fluctuations in value attributable to changes in currency exchange rates.

## **ACCEPTABLE INSTRUMENTS**

1. Money Market Funds



2. Certificates of Deposit
3. Common and Preferred Stocks
4. U.S. Government or Government Agency Obligations,
5. Mortgage Backed Securities
6. Corporate Debt
7. Repurchase Agreements
8. Mutual Funds (Debt or Equity)
9. Real Estate Investment Trusts
10. Real Assets
11. Hedge Funds
12. Private Equity

With respect to the above listed investments, the following limitations will apply:

- Money Market Funds including the Local Agency Investment Fund (LAIF). No more than 5% of the market value of the total portfolio may be invested in any fund. All funds utilized must be pre- approved by the Finance and Investment Committee.
- Certificates of Deposit. Investments in certificates of deposit in any insured bank or savings institution shall be limited to the FDIC insurance maximum.
- Common and Preferred Stocks. No more than 5% of the total market value of the asset class may be invested in any single stock.
- U.S. Government or U.S. Government Agency Obligations. There is no limitation within the asset class as to the percentage of the portfolio, which can be invested in U.S. Government obligations.
- Mortgage Backed Securities. All investments in MBS shall be U.S. Agency guaranteed (e.g. GNMA, FNMA, FHLMC). No more than 5% of the total market value of the asset class may be invested in any single security and no more than 20% of the total market value of the asset class may be invested in MBS issued by any U.S. Agency.
- Corporate Debt, including Commercial Paper. No more than 5% of the market value of the asset class may be invested in debt issued by any domestic or international corporation. Corporate debt must carry an investment grade rating by at least two of three rating agencies (i.e. Moody, S&P and Fitch) at time of purchase. In the case of securities where the rating is split between investment grade and non-investment grade, the higher rating shall define the quality of the security. Rating downgrades subsequent to purchase shall be managed on a case-by-case basis. This policy authorizes investment of up to 10% of the market value of the asset class in non- investment grade debt provided that all such investments shall be made through mutual funds so as to diversify risk.
- Repurchase Agreements. The Foundation may invest in repurchase agreements with banks and Primary Dealers in U.S. Government Securities with which the Foundation has entered into a Public Securities Association (PSA) repurchase contract, which specifies terms and conditions of repurchase agreements. The maturity of repurchase agreements shall not exceed 30 days. The market value of securities used as collateral for repurchase agreements shall be monitored daily by the Foundation's staff and will not be allowed to fall below 102% of the value of the repurchase agreement. Repurchase agreements cannot exceed 20 percent of the total market value of the asset class.

- **Mutual Funds.** For purposes of this Policy, mutual funds shall be considered and treated as investments in common and preferred stocks and bonds and therefore subject to the same limitations.
- **Real Estate.** Investments in real estate shall be limited to securities (e.g. REITs) for which there is a ready and active market.
- **Real Assets.** Investments in public/private real estate, natural resources, commodities, infrastructure, timber and inflation linked securities (TIPS).
- **Hedge Funds.** Investments in hedge funds shall be limited to funds approved by the investment advisor.
- **Private Equity.** Investments in private equity shall be limited to funds approved by the investment advisor.
- **The Foundation will not directly invest in stocks of the top 200 fossil fuel companies, by carbon in proven oil, gas and coal reserves. Although it may hold some fossil fuel stocks in commingled funds or mutual funds.**

## **XI. REBALANCING**

The Finance and Investment Committee, and its investment advisors, on an ongoing basis and in accordance with market fluctuations, shall rebalance the investment portfolio so it remains within 5 percentage points of the ranges of targeted asset allocations, and the planned distribution among investment managers.

Formal asset allocation studies will be conducted at least every two years, with evaluations of the validity of the adopted asset allocation.

## **XII. SAFEKEEPING AND CUSTODY AGREEMENT**

To protect against potential losses caused by collapse of individual securities dealers, all securities owned by the Foundation shall be kept in safekeeping by a third party brokerage firm or bank custodial department, acting as agent for the Foundation under the terms of a custody agreement.

## **XIII. INTERNAL CONTROLS**

The Chief Financial Officer has developed a system of internal investment and accounting controls while establishing a segregation of responsibilities of investment functions to ensure an adequate system of internal controls over the investment function.

## **XIV. ENDOWMENT INVESTMENT POLICY REVIEW**

This Statement of Endowment Investment Policy shall be reviewed by the Finance and Investment Committee at least annually to ensure consistency with the overall objectives of the portfolio. The Endowment Investment Policy



shall also be reviewed annually to ensure its compliance and relevance to the current law, financial and economic trends, and to meet the cash flow requirements of the Foundation. Investments are reviewed monthly by the Foundation staff during the reconciliation process of investment transactions to the third party statements and the proof of cash process. The investment portfolio is audited annually by the Foundation's independent accountants for internal controls and balances.



## POLICIES AND PROCEDURES

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**Subject: General Investment Policy**

**Policy No. 501**

**Date: 07/2019**

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### I. POLICY

This Statement of Investment Policy is intended to provide guidelines for the prudent investment of the Foundation's (see Scope, Section III) general investment portfolio and outline the policies for maximizing the effectiveness and efficiency of the Cal Poly Pomona Philanthropic Foundation, Inc. ("Foundation") investment management program. The goal of this General Investment Policy is twofold, one is to enhance the economic status of the Foundation while preserving its capital resources; the second is to establish a clear understanding between the Foundation and their Investment Manager(s) regarding investment objectives and policy guidelines. The Foundation's General Investment Policy is to be governed by Sections 5210 and 5231 of the California Corporations Code, and California Probate Code Section 18500 *et seq.* (*Uniform Prudent Management of Institutional Funds Act*).

### II. OBJECTIVE

The Foundation's investment management program is designed to monitor and forecast expenditures and revenues, thus enabling the Foundation to invest its asset portfolio to the fullest extent possible. The Foundation attempts to obtain the highest yield available, while investments meet the criteria established for safety (preservation of capital), liquidity and yield.

#### A. SAFETY

Asset portfolio safety is the foremost objective of the Foundation. Each investment transaction shall seek to ensure portfolio losses are avoided, whether from securities default, rating downgrades, broker/dealer defaults, or erosion of market value. Cal Poly Pomona Philanthropic Foundation, Inc. shall seek the preservation of its portfolio by managing two types of risk: credit risk and market risk.

1. Credit Risk - is the risk of loss due to failure of the issuer and is managed by proper due diligence prior to investing and on an ongoing basis, and diversifying the general investment portfolio so the failure of any one issuer would not materially affect the cash flow of the Foundation.

2. Market Risk - is the risk of investment value fluctuations due to changes in the general level of interest rates or the issuer's individual or industry sector performance. This risk shall be managed by limiting the average maturity of the fixed income portion of the Foundation's general investment portfolio to five and the maximum maturity of any one security to ten years, with the exception of Mortgage-Backed Securities (MBS), the maximum maturity of which shall be limited to thirty years. Market risk shall also be managed by structuring the portfolio so fixed income securities maturing match cash outflows, eliminating the need to sell securities prior to their maturity. It is recognized that within a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the overall return on the investment.

**B. RETURN ON INVESTMENT**

The Foundation's general investment portfolio shall be designed to attain or exceed a target rate of return throughout economic cycles consistent with risk limitations and prudent investment principles. The target rate of return shall be measured in "absolute", "relative" and "comparative" terms as determined by the Finance and Investment Committee. See Return Objective Section IX of this General Investment Policy for further details.

**C. LIQUIDITY**

Foundation's general investment portfolio will remain satisfactorily liquid to enable the Foundation to meet anticipated operating and cash flow requirements. Historical and cash flow needs are to be analyzed continuously.

### **III. SCOPE**

The funds identified in this section and entrusted to the Foundation will be pooled in an actively managed portfolio. The Foundation shall oversee management of the portfolio within the content of the "Uniform Prudent Management Investment Funds Act of 2008" section 18503 (b) which states:

"...each person responsible for managing and investing an institutional fund shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances."

This policy is applicable, but not limited to all funds listed below:

- General Fund
- Foundation Program Fund
- Scholarship Fund

#### **IV. DELEGATION AND GRANTS OF AUTHORITY**

Responsibility for the investment program has been delegated by the Foundation Board of Directors to the Finance and Investment Committee, in concert with the authorized investment manager and/or advisor, to monitor and adjust from time to time, the target weighting within the asset allocation ranges allowed per the Target Asset Mix Table, (see section X – Target Asset Allocation). Any changes to the target weighting within the asset allocation ranges will be reported to the full Foundation Board at its next regularly scheduled meeting. A report on portfolio performance will be provided to the full Foundation Board on a quarterly basis at a regularly scheduled Board meeting.

The authority to execute investment transactions affecting the Foundation's portfolio shall be under the general direction of the Chief Executive Officer and the Finance and Investment Committee.

#### **V. ETHICS AND CONFLICT OF INTEREST**

All Foundation Board members and investment personnel including family members shall refrain from personal business activity which could create a conflict in fact or in appearance with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. All such personnel shall disclose to the Chief Executive Officer any material financial interests in financial institutions which conduct business within the jurisdiction and shall disclose any material financial investment positions which could be related in a conflicting manner to the performance of the Foundation's endowment investment portfolio. The Chief Executive Officer shall report in writing to the Full Board at least annually all issues, which could influence the performance of the Foundation's endowment investments.

#### **VI. CRITERIA FOR SELECTION OF INVESTMENT MANAGERS**

In order to retain investment management organizations that have demonstrated competence in executing one or more investment strategies consistent with the established policy, the following criteria will be applied in selecting investment managers:

- A. Demonstrated performance in one or more of the asset categories defined in section X.
- B. A sound research program;
- C. A disciplined, consistent and measurable approach to the construction and monitoring of portfolios;
- D. Established investment control procedures with operating management information to assure regular review of the portfolio manager's decisions;
- E. Ability to trade at the competitive rates and consistently secure best price execution;
- F. Primary business purpose will be investment management and will have sufficient experience with educational investment assets;
- G. Demonstrated ability to manage its affairs in a businesslike manner and with a high degree of financial stability;
- H. An experienced, highly competent professional staff, recognized as such within the industry. Continuity of such personnel will be considered;

- I. No conflict of interest with the policy, objectives, or organization of the investment portfolio, nor any conflict which would interfere with prudent management of the portfolio's assets;
- J. Capability to report accounting and performance data in a timely manner;
- K. Competitive fee structure.

## **VII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

The Foundation shall transact business only with banks, savings and loan institutions, registered investment securities dealers and the California State University local agency investment fund. The dealers should be primary dealers authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York and qualify under the U.S. Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

The Finance and Investment Committee shall send a copy of the current statement of investment policy to all dealers approved to do business with the Foundation. Confirmation of the dealer's understanding of the Foundation's General Investment Policy shall be provided in writing by the dealer.

The Finance and Investment Committee shall examine financial institutions which wish to perform business with the Foundation, in order to confirm whether the participating financial institutions are satisfactorily capitalized, are market makers in securities appropriate to the Foundation's financial investment universe and agree to comply by the conditions set forth in this General Investment Policy.

Any authorized investments (contained in Section X) can be purchased directly from the issuer.

All financial institutions and broker/dealers who qualify to perform investment transactions for the Foundation must supply the Finance and Investment Committee the following:

- A. Audited financial statements\*
- B. Proof of National Association of Security Dealers certification\*\*
- C. Proof of registration with the SEC and a copy of their ADVII\*\*\*
- D. Proof of state registration
- E. Completed broker/dealer questionnaires
- F. Certificate of reviewing and understanding the Foundation's General Investment Policy
- G. Certificate of understanding the delivery versus payment instructions for custody
- H. Conflict of interest certification statement

\* Custodians and brokers only

\*\* Brokers only

A review of the financial condition and registration of the qualified broker/dealers and other bidders will be conducted by the Finance and Investment Committee at least every three (3) years.

## VIII. PERFORMANCE EVALUATION

Performance will be reviewed for purposes of determining adherence to appropriate risk levels, and for comparison of returns to the established objectives and specific goals.

It is recognized that investment results can fluctuate through market cycles. Achievement of total rate of return within the risk levels identified will be the primary basis upon which to evaluate manager performance. Each manager's portfolio will be monitored and reported quarterly to the Finance and Investment Committee. A comprehensive quarterly report accepted by the Investment and Finance Committee will be presented to the full Board of Directors.

## IX. RETURN OBJECTIVE

The purpose of the Foundation's general investment portfolio is to support the University and its mission over the long term. Accordingly, the purpose of this statement is to establish a written procedure for the investment of the Foundation's general investment portfolio to ensure that the future growth of the portfolio is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the portfolio. This statement will establish appropriate risk and return objectives in light of the fund's risk tolerance and investment time horizon. These objectives, as well as asset allocation guidelines and suitable investments are outlined below.

The return objectives of the Foundation's general investment portfolio shall be viewed from three perspectives as follows: **Absolute** - Real (i.e., net of inflation) rate-of-return; **Relative** - Time-weighted rates of return versus capital market indices; and **Comparative** - Performance of the Investment Manager(s) as compared to a universe of similar investment funds.

1. The **Absolute Objective** of the Foundation's general investment portfolio is to seek an average total annual return of 2.0% plus the percentage change in the greater Higher Education Price Index (HEPI). This objective shall be measured over rolling one, three, five and ten year time periods. The intent of this objective is to measure, over time, the return on the portfolio as measured in inflation adjusted terms.
2. The **Relative Objective** of the Foundation's general investment portfolio is to seek competitive investment performance versus appropriate capital market benchmarks or indices. This objective shall be measured primarily by comparing investment results, over an annualized three year period, to:
  - a) The Russell 3000 Index as a benchmark for the Domestic Equity component;
  - b) The MSCI All Capitalization World excluding US Index (in US dollars) for the Foreign Equity component;
  - c) The Barclays Intermediate Government Credit as a benchmark for the Fixed Income component;
  - d) The 90-Day Treasury Bill Index as the benchmark for the Cash and Equivalent component;
  - e) A comparable Index for the Real Assets component
  - f) A comparable REIT Index for Real Estate component

- g) Alternative Investments shall be benchmarked against an authorized investment vehicle of the Foundation.

3. The **Comparative** performance objective of the Foundation's general investment portfolio is to achieve a total rate of return that is above the median performance of universe of similar portfolios.

The Foundation's assets have a long-term, indefinite time horizon that runs concurrent with the endurance of the University. As such, these funds can assume a time horizon that extend beyond a normal market cycle, and can assume an above-average level of return volatility (as measured by the standard deviation of annual returns) in exchange for an expected higher level of returns over the longer time horizon. It is expected, however, that both professional management and sufficient portfolio diversification will smooth volatility and help to assure a reasonable consistency of return.

## **X. TARGET ASSET ALLOCATION**

To achieve its return objectives, the Foundation's general investment portfolio shall be allocated among a number of asset classes. These asset classes may include domestic and foreign equity, domestic and international fixed income, cash, real assets, real estate and alternative investments. The purpose of allocating among asset classes is to ensure the proper level of diversification within the Foundation's general investment portfolio. It is understood that assets may temporarily be placed in a cash equivalent account prior to investing in longer term instruments.

The following Target Asset Mix Table defines the Foundation's general investment portfolio target asset allocation.

**Target Asset Mix Table**

<b><u>Asset Class</u></b>	<b><u>Range</u></b>	<b><u>Target Wt.</u></b>	<b><u>Representative Index</u></b>
Equities	10-65%	25%	
Domestic			Russell 3000
Foreign (Developed and Emerging)			MSCI All Cap World X US Index
Fixed Income	40-85%	65%	Barclays Intermediate Gov't/Credit
Cash And Equivalents	0-80%	10%	90-Day Treasury Rate
Real Assets	0-10%	0%	Comparable Index
Real Estate	0-10%	0%	Comparable REIT Index
Alternative Investments	0-25%	0%	Authorized Investment Vehicle

**No more than 5 percent of the asset class may be invested in any single equity or fixed income issuer, excluding U.S. Treasury Securities, U. S. Government Agency Securities and Mortgage Back Securities, at time of purchase.**

**Exposure to any industry sector shall generally be limited to 20 percent of the asset class, excluding U.S. Treasury Securities, U.S. Government Agency Securities and Mortgage Back Securities, at time of purchase. This sector limitation is applicable to both debt and equity.**

All limitations expressed on a market value basis.

The General Investment Policy objective shall be to diversify investments among asset classes so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

Investments in international issues shall be U.S. dollar denominated or appropriately hedged so as to eliminate fluctuations in value attributable to changes in currency exchange rates.

### **ACCEPTABLE INSTRUMENTS**

1. Money Market Funds
2. Certificates of Deposit
3. U.S. Government or Government Agency Obligations,
4. International Bonds
5. Mortgage Backed Securities – Agency
6. Mortgage Backed Securities – Non-Agency
7. Corporate Debt
8. Repurchase Agreements
9. Mutual Funds (Debt or Equity)
10. Real Estate
11. Real Assets
12. Alternative Investments

With respect to the above listed investments, the following limitations will apply:

Money Market Funds including the Local Agency Investment Fund (LAIF). No more than 5% of the market value of the total portfolio may be invested in any fund. All funds utilized must be pre-approved by the Finance and Investment Committee.

Certificates of Deposit. Investments in certificates of deposit in any insured bank or savings institution shall be limited to the FDIC insurance maximum.

U.S. Government or U.S. Government Agency Obligations. There is no limitation within the asset class as to the percentage of the portfolio, which can be invested in U.S. Government obligations.

International Bonds. These are debt securities issued by non-U.S. governments and corporations.

Mortgage Backed Securities All investments in MBS shall be U.S. Agency guaranteed (e.g. GNMA, FNMA, FHLMAC). No more than 5% of the total market value of the asset class may be invested in any single security and no more than 20% of the total market value of the asset class may be invested in MBS issued by any U.S. Agency.

Mortgage Backed Securities – Non-Agency. These are issued by private institutions (not by government or quasi-government agencies); their underlying collateral generally consists of mortgages which do not conform to the requirements for inclusion in mortgage-backed securities issued by agencies such as Ginnie Mae, Fannie Mae or Freddie Mac. Types of non-agency MBS include: Prime, Alternative-A, Option ARMs & Subprime.



Corporate Debt, including Commercial Paper. No more than 5% of the market value of the asset class may be invested in debt issued by any domestic or international corporation. Corporate debt must carry an investment grade rating by at least two of three rating agencies (i.e. Moody, S&P and Fitch) at time of purchase. In the case of securities where the rating is split between investment grade and non-investment grade, the higher rating shall define the quality of the security. Rating downgrades subsequent to purchase shall be managed on a case-by-case basis. This policy authorizes investment of up to 10% of the market value of the asset class in non-investment grade debt provided that all such investments shall be made through mutual funds so as to diversify risk.

Repurchase Agreements. The Foundation may invest in repurchase agreements with banks and Primary Dealers in U.S. Government Securities with which the Foundation has entered into a Public Securities Association (PSA) repurchase contract, which specifies terms and conditions of repurchase agreements. The maturity of repurchase agreements shall not exceed 30 days. The market value of securities used as collateral for repurchase agreements shall be monitored daily by the Foundation's staff and will not be allowed to fall below 102% of the value of the repurchase agreement. Repurchase agreements cannot exceed 20 percent of the total market value of the asset class.

Mutual Funds. For purposes of this Policy, mutual funds shall be considered and treated as investments in common and preferred stocks and therefore subject to the same limitations.

Real Estate. Investments in real estate shall be limited to securities (e.g. REITs) for which there is a ready and active market.

Real Assets. Include investments in public/private real estate, natural resources, commodities, infrastructure, timber and inflation-linked securities (TIPS).

Alternative Investments that meet the "mission of the University" for the benefit of the University and are authorized by Foundation Board resolution and supported by appropriate and documented "due diligence" analysis. The value of these alternative investments shall be benchmarked against an authorized investment vehicle of the Foundation. The target value of these investments will be 10% to 15% and the total value shall not exceed 25% of the portfolio. The alternative investments will diversify and reduce volatility of the portfolio.

The Foundation will not directly invest in stocks of the top 200 fossil fuel companies, by carbon in proven oil, gas and coal reserves, although it may hold some fossil fuel stocks in commingled funds or mutual funds.

## **XI. REBALANCING**

The Finance and Investment Committee, and its investment advisors, on an ongoing basis and in accordance with market fluctuations, shall rebalance the investment portfolio so it remains within 5 percentage points of the ranges of targeted asset allocations, and the planned distribution among investment managers.

Formal asset allocation studies will be conducted at least every two (2) years, with evaluations of the validity of the adopted asset allocation.

## **XII. SAFEKEEPING AND CUSTODY AGREEMENTS**

To protect against potential losses caused by collapse of individual securities dealers, all securities

owned by the Foundation shall be kept in safekeeping by a third party brokerage firm or bank custodial department, acting as agent for the Foundation under the terms of a custody agreement.

### **XIII. INTERNAL CONTROLS**

The Chief Financial Officer has developed a system of internal investment and accounting controls while establishing a segregation of responsibilities of investment functions to ensure an adequate system of internal controls over the investment function.

### **XIV. INVESTMENT POLICY REVIEW**

This General Investment Policy shall be reviewed by the Finance and Investment Committee at least annually to ensure consistency with the overall objectives of the preservation of capital, liquidity and return of the investment portfolio. The General Investment Policy shall also be reviewed to ensure its compliance and relevance to the current law, financial and economic trends, and to meet the cash flow requirements of the Foundation. Investments are reviewed monthly by the Foundation staff during the reconciliation process of investment transactions to the third party statements and the proof of cash process. The general investment portfolio is audited annually by the Foundation's independent accountants for internal controls and balances.