



*Last Updated: December 2006*

## **IV.1 Investment Policy**

Adopted June 29, 2005

### **Purpose and Scope**

The purpose of this policy is to establish a general philosophy for the investment of the University of Alaska Foundation funds, for investment guidelines and performance criteria, and for periodic reviews of the philosophy, objectives, strategies, and performance results. The Consolidated Endowment Fund Investment Policy included as Appendix A is incorporated into this policy to the extent referenced herein.

### **Responsibilities**

Responsibilities of the Investment Committee, Investment Consultant, Investment Managers and the Treasurer shall be the same as those stated in the Consolidated Endowment Fund Investment Policy.

### **Classes of Authorized Investments**

Cash, Fixed Income, Equities, and Alternative Investments

Cash, fixed income, equities and alternative investments shall have the same meaning and limitations as stated in the Consolidated Endowment Fund Investment Policy.

Real Property

Real property held directly by the Foundation shall be managed in accordance with such policies as may be established by the Foundation Finance and Audit Committee.

Other Property

Other property, including personal property and securities, which may be acquired by gift, bequest, or other means shall be managed as follows. Unless otherwise approved by the Treasurer, marketable securities shall be sold as soon as practicable after receipt, and other property shall be held for a period of two years prior to disposition. During this period, the property shall be evaluated for its capital appreciation potential, marketability, value to the Foundation or the University and the administrative costs and other requirements associated



with holding such property. Upon expiration of the evaluation period, the Treasurer shall make a determination regarding the retention or disposal of the property.

### **Management of Funds and Definitions**

Policy statements and definitions regarding the Management of Funds shall be the same and have the same meaning as those included in the Consolidated Fund Investment Policy except for the following:

**Investment Earnings** - Investment earnings or losses (net of fees and costs) shall be credited to unrestricted revenues of the Foundation except for earnings which are restricted as to use by agreement or designated for a specific purpose by the donor, the Board of Trustees, or the Treasurer. Net earnings or losses of all pooled investment funds shall be allocated proportionately to each participating fund or account eligible to receive earnings on a monthly basis. All separately invested funds shall be credited with the net earnings or losses attributable to the specific assets and operations of the respective fund.

**Loans to or Investment in Affiliates** - No funds may be invested in or loaned to the university or any affiliated entity, except as may be approved by the Board of Trustees.

**Redirection** - If, after a period of years, it is infeasible or impossible to accomplish the purpose for which a fund or endowment was established because of a lack of suitable programs, changes in society or the university, or such other reasons which may not have been foreseen upon creation, the fund or endowment and the spendable income shall be redirected to another similar purpose in accordance with the originating agreement or the original intent of the party that established the fund or endowment as determined by the Board of Trustees.

### **Operating Funds**

Operating funds consist of cash balances and investable resources of general restricted and unrestricted funds. Such funds shall be productively invested to the extent practical. The investment objectives for the operating funds are to provide the liquidity necessary for operational commitments, to provide for the safety of the principal, and to provide current earnings for operation of the Foundation and distributions to the university. Any amounts in excess of current cash needs, as determined by the Treasurer, may be invested in fixed income and other securities in accordance with written guidelines and performance criteria to be approved by the Foundation's Investment Committee.



### **Separately Invested Endowments and Other Funds**

These funds consist of endowment funds, charitable trusts, and other resources which are required by the donor or other agreement to be separately invested or are segregated for separate investment because of the nature of the investable assets, investment goals of the fund, or other similar reasons. These funds shall be invested in accordance with separate written guidelines and performance criteria approved by the Investment Committee.

### **Pooled Endowment Funds**

The Pooled Endowment Fund consists of a group of endowments and resources which have the common goal of preserving the purchasing power of the original principal and providing stable support for the respective beneficiaries. Contributions to the fund will be invested in accordance with procedures to be established by the Treasurer and approved by the Investment Committee. This fund is managed under the total return concept of endowment management to achieve maximum total return (earnings) without regard to the distinction between capital appreciation (realized and unrealized) and yield (interest, dividends, rents, and other current income).

Earnings distribution (spending) guidelines are structured to inflation-proof the endowment and to stabilize the flow of earnings for program support. Earnings distributions from the fund in any fiscal year shall be limited to the unexpended accumulated earnings (both realized and unrealized) of the respective fund as of the preceding December 31, up to a maximum amount equal to 4.5 percent (4.5%) of the average of the market values of the fund at December 31 for the immediately preceding five years, unless otherwise approved by the Investment Committee.

The spending rate shall be reviewed annually by the Investment Committee and the Board of Trustees. This review shall take into consideration both the rate of realized earnings and the changes in level of spendable earnings produced by the established rate. Based on this review, the spending rate may be adjusted as the Board of Trustees considers necessary to ensure that the spending rate does not significantly or persistently erode the purchasing power of either the endowment or of the endowment's spendable earnings.

The pooled endowment funds shall be invested in accordance with the separate Consolidated Endowment Fund Investment Policy.

### **Periodic Review**

This policy, including the Consolidated Endowment Fund Investment Policy, and related investment guidelines and performance criteria shall be reviewed by the Investment Committee for adequacy and appropriateness at least every third year.