



## RULES OF THE BOARD OF TRUSTEES

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Endowment Funds and Funds Functioning as Endowment Funds

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- (1) The District Board of Trustees (DBOT) shall approve a policy statement for the administration and investment of Endowment Funds and Funds Functioning as Endowment Funds.
- (2) The policy shall be consistent with Florida Statutes and Rules as promulgated by the State Board of Education.
- (3) The College President is authorized to accept Endowment Funds or Funds Functioning as Endowment Funds to support student financial assistance and other purposes as approved by the DBOT.
- (4) The source of Endowment Funds and Funds Functioning as Endowment Funds shall include, but not be limited to, Auxiliary Fund Commissions, Fines and Penalty Fees, Financial Aid Fees, Short Term Loan Funds, Unexpended Grant Funds, Endowment Earnings and other miscellaneous contributions.
- (5) Endowment Funds and Funds Functioning as Endowment Funds shall be accepted or established by the College without restriction, or only when the restriction placed on such funds is in support of College student financial aid assistance programs, or in support of other programs as approved by the DBOT.
- (6) Endowment Funds and Funds Functioning as Endowment Funds may be perpetual and indefinite in nature:
  - A. Endowment Funds may be dissolved only upon the expressed permission of the donor or as the result of a predetermined condition in the gift agreement and Funds Functioning as Endowment Funds may only be dissolved by expressed action of the DBOT.
- (7) The Vice President of Business Services and the College's Chief Investment Officer, together with the Chief Business Affairs Officer and the Director of Budgeting and Financial Planning shall constitute the College Investment Committee (the Committee).
- (8) The Chief Investment Officer shall be principally responsible for making day-to-day investment decisions in accordance with the Investment Policy and shall annually complete not less than eight (8) hours of continuing education in subjects or courses related to investment practices and products
- (9) The Chief Investment Officer shall submit an annual investment report to the College President and the DBOT.
- (10) Notwithstanding (8) above, the DBOT shall periodically select and approve, and the College may engage, an Investment Manager who may be responsible for all or certain activities associated with the management of the portfolio and shall advise, monitor and build the Fund based on the



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*Prudent Man Rule*; invest funds as would a person of prudence, i.e. with discretion, care and intelligence.

(11) Endowment Investment Policy:

- A. The investment objective for Endowment Funds is to achieve a target rate of return of 5% plus the inflation rate as measured over a five-year period to preserve the spending power of the Fund. To achieve its investment objectives, the College Endowment Funds shall be allocated among a number of asset classes. These asset classes may include: Cash and cash equivalents, Domestic equity, Domestic fixed income, International equity and International fixed income.
- B. The general policy shall be to diversify investments among both equity and fixed income securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. The Investment Manager(s) should monitor the total portfolio to ensure that risk and return levels are appropriately balanced as per accepted prudent practices. An Investment Consultant may be utilized to assist the College in selection and evaluation of Investment Manager(s).

(12) Target Asset Mix Table:

Asset Class	Minimum	Target	Maximum
Equities	70 percent	75 percent	80 percent
Fixed Income	20 percent	25 percent	30 percent
Cash and equivalents	0 percent	0 percent	10 percent

A. Equity Securities:

1. The Investment Manager(s) should maintain the equity portion of the portfolio at a risk level roughly equivalent to that of the equity market as a whole, over an annualized moving three-and five-year time period. Equity holdings shall generally be restricted to readily marketable securities of corporations that are actively traded on the major stock exchanges. If portions of the equity portfolio are assigned to Investment Managers, those portions of the portfolio should be managed to the risk levels and appropriate benchmarks for those securities. International equity investments of similar quality and marketability will be permitted in the total equity position. Real Estate Investment Trust securities may be included in the domestic equity portfolio.
2. Decisions as to individual security selection, number of industries and holdings, current income levels and turnover are left to the selected Investment Manager(s), subject to the standards of fiduciary prudence. However, no single major industry shall represent more



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than 20 percent of the total market value of the investments, and no single security shall represent more than 5 percent of the total market value of the investments.

3. The Investment Manager(s) is prohibited from buying securities on margin, borrowing money or pledging assets, or trading uncovered options, commodities or currencies. The Investment Manager(s) is also restricted from investing in private placements and restricted stock unless otherwise permitted in writing by the DBOT. It is expected that no assets will be invested in securities whose issuers are or are reasonably expected to become insolvent, or who otherwise have filed a petition under any state or federal bankruptcy or similar statute.
4. Investments in equity securities should be managed actively to pursue market opportunities with the objective of meeting or exceeding the results of the equity market as represented by the annualized returns of the appropriate standardized market index or blend of indices which match the portfolio asset allocations, (e.g., Standard and Poor's 500 Index, Russell 2000, Morgan Stanley MSCI non-U.S. index, etc.) over an annualized moving three- and five-year time period.
5. Within the above guidelines and restrictions, the Investment Manager(s) will have complete discretion over the timing and selection of equity securities.

### B. Fixed Income Securities:

1. The purpose of fixed income investments, both domestic and international, is to provide diversification, and a predictable and dependent source of current income. It is expected that fixed income investments will not be totally dedicated to the long-term bond market, but will be flexibly allocated among maturities of different lengths according to interest rate prospects.
2. Investments in fixed income securities should be managed actively to pursue opportunities presented by changes in interest rates, credit ratings and maturity premiums, with the objective of meeting or exceeding the results of the fixed income market as represented by the annualized returns of the appropriate standardized market index or blend of indices which match the portfolio asset allocations (e.g., Lehman Brothers Aggregate Bond Index, Merrill Lynch High Yield Master II Index, etc.) over an annualized moving three- and five-year time period. If portions of the fixed income portfolio are assigned to subordinate investment managers, those portions of the portfolio should be managed to the risk levels and appropriate benchmarks for those securities.
3. The Investment Manager(s) may select from appropriately liquid preferred stocks, corporate debt securities and obligations of the U. S. Government and its agencies. These investments will be subject to the following limitations:
  - a. No issues may be purchased with more than 30 years to maturity.
  - b. Investments of a single issuer, with the exception of the U. S. Government and its agencies, may not exceed 5 percent of the total market value of the investments.



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- c. No more than 15 percent of the corporate debt securities in the fixed income portfolio may be rated below-investment grade.
- d. Within the fixed income component, the Investment Manager(s) is prohibited from investing in private placements and fixed income or interest rate futures.
- e. Within the above guidelines and restrictions, the Manager(s) has complete discretion over the timing and selection of fixed income securities.

(13) Spending Policy:

- A. The target rate of expendable funds from the Endowment Fund shall be five percent (5%) annually to support College student financial aid programs. Rates differing from this target rate may be approved by the DBOT as part of the annual budget approval process.

(General Authority: F.S. 215.47, 1001.64, SBE Rule 6A-14.0765, Florida Accounting Manual, (FAM) Sec. 4 (C), Uniform Prudent Management of Institutional Funds Act (UPMIFA) 2006)

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