

UNIVERSITY GUIDEBOOK

<p>Subject: Investment of the University’s Non-Endowment and Endowment Funds</p>

<p>Responsible Officer: Elaine C. Beatty Title: Director Investments and Accounts Payable Approved: September 11, 1998 Revised: December 15, 2004 June 23, 2006</p>	<p>Authorized by: David C. Sweet Title: President EFFECTIVE: June 23, 2006 Review Date: December 2007</p>
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<p>Policy: The President and the Vice President for Administration, or his/her designee, is authorized to invest University funds in compliance with this policy, provisions of the <i>Ohio Revised Code</i> and all other applicable laws and regulations, including H.B. 524, Sec. 3345.05 of the Ohio Revised Code.</p> <p>RESOLUTION NUMBER: YR 1999-04; YR 2005-23; YR 2006-47</p>
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For the purpose of this policy on the Investment of the University’s Non-Endowment and Endowment Funds (the “Policy”), the non-endowment portfolio shall include:

- All tuition and mandatory fees, registration, non-resident tuition fees, academic fees for the support of on- and off-campus instruction, laboratory and course fees when so assessed and collected, all other fees, deposits, charges, receipts, and income from all or part of the students, all subsidy or other payments from state appropriations, and all other fees, deposits, charges, receipts, and income received. These funds shall be held and administered by the Board of Trustees.
- Notwithstanding any provision of the revised code to the contrary, the title to investments made by the Board of Trustees with funds derived from revenues described above shall not be vested in the state but shall be held in trust by the Board. Such investments shall be made pursuant to this investment policy adopted by the Board in public session. Such investments shall be made with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

- It is the intention of the Board of Trustees that actions taken pursuant to this Policy shall be in compliance with all applicable laws as they may be amended from time to time. No University representative, employee, or agent shall take any action prohibited by or fail to take any action required by all applicable laws in carrying out this Policy.
- Members of the Board of Trustees will annually provide to the Chair of the Board of Trustees a statement disclosing the nature, if at all, of any relationship with the financial institutions involved with the University's Non-Endowment Funds. Any member having a relationship that creates a conflict prohibited by the ethics laws with any investment entity, will withdraw from participating in the selection of, or authorizing the contracts of, those investment managers and/or consultants.
- External investment managers, consultants and advisors retained by the University shall immediately notify the Chair of the Investment Subcommittee and the Vice President of Administration of any potential conflicts of interest which may develop from time to time. In any such situation, the external investment manager, consultant and/or advisor shall identify the nature of the conflict of interest and its potential impact, if any, on the University.
- The University's non-endowment fund portfolio will remain sufficiently liquid to enable the University to meet all operating requirements. Portfolio liquidity is defined as the maturity or ability to sell a security on short notice near the purchase price of the security. To help retain the desired liquidity, no security shall be purchased that is likely to have few market makers or poor market bids. Additionally, liquidity shall be assured by keeping an adequate amount of short-term investments to accommodate the cash needs of the University.
- The University's non-endowment and endowment portfolios shall be structured with the objective of attaining the highest possible total return for the investment portfolio while adhering to a prudent level of risk.

The University's endowment portfolio, unless otherwise directed, shall be managed by the Youngstown State University Foundation (the "YSUF") and consist of equity, fixed income, and cash investments.

Specific responsibilities of the Investment Subcommittee of the Finance and Facilities Committee of the Board of Trustees (hereafter referred to as the "the Subcommittee") in the investment process include:

- the application of a total return philosophy of asset management;
- developing sound and consistent investment policy guidelines;
- selecting and monitoring investment managers;
- selecting an investment consulting organization;
- communicating clearly the major duties and responsibilities of those accountable for achieving investment results;
- monitoring and evaluating results to assure that the guidelines are being adhered to and the objectives are being met;
- taking appropriate action to discharge an investment manager for failure to perform as mutually expected at the time of selecting; and
- undertaking such work and studies as may be necessary to keep the Board of Trustees of the University adequately informed as to the status of the investment of the balance sheet assets (the “Assets”).

This Policy shall be reviewed every three years by the Subcommittee or upon the advisement of investment advisors or management. All material changes to the Policy will be approved by the Subcommittee and submitted to the University’s Board of Trustees for final approval.

Purpose: Investments shall be managed for the use and benefit of the University in a diversified portfolio that focuses, over time, on the preservation of capital, minimization of cost and risk, maintenance of required levels of liquidity in the overall portfolio to meet cash flow requirements, and compliance with state statute. The non-endowment and endowment portfolios are intended to achieve a reasonable yield balanced with a component invested for longer-term appreciation.

The purpose of this policy is to assist the University in more effectively supervising and monitoring the investment activities of its Assets. This Policy is designed to assist University staff and the Investment Subcommittee with regard to its fiduciary responsibility by:

- defining the responsibilities of University staff, its investment managers, and its investment consultant;

- stating in writing the University's attitudes, expectations, and goals for the investment of the Assets;
- providing a basis for reviewing investment management organizations in the selection process;
- encouraging effective communication between the investment managers, investment consultant, the Subcommittee, and Youngstown State University; and
- setting objectives against which the performance results of the investment managers, operating within the constraints imposed by the University's Policy guidelines, can be measured.

A primary expectation for University assets is to support the University by providing current income to the University from both non-endowed and endowed funds, managed on behalf of the University by outside investment professionals, as well as the YSUF, while concurrently growing principal. The asset base is dedicated to providing a reliable source of funds for current and future enhancements at the University.

Parameters:

The management of the non-endowment and endowment funds involves a tradeoff between two competing goals. On the one hand, the funds must preserve capital and maintain liquidity sufficient to distribute cash to fund immediate operating needs and prior spending commitments. On the other hand, the funds must accumulate capital sufficient to support nominal growth in expenses for existing programs and to establish new quasi-endowment funds. The goal of the funds is to accommodate these competing needs by providing adequate short-term liquidity along with long-term capital appreciation.

The Subcommittee recognizes that risk and volatility are present to some degree with all types of investments. However, high levels of risk are to be avoided at the total asset level. This is to be accomplished through diversification by asset class, style of investment manager, and sector and industry limits.

The following statements and guidelines are set forth in an effort to provide direction to each of the investment managers that manage separate accounts for the University. Managers are retained to manage separate pools of assets; and funds are allocated to such managers in order to achieve an appropriate, diversified, and balanced asset mix. The Subcommittee, from time to time, may shift assets from one manager to another to maintain the appropriate mix. Additionally, the Subcommittee recognizes that mutual or commingled funds used by the University may not adhere to these guidelines. However, when selecting mutual or commingled fund products, the Subcommittee will refer to these guidelines as a basis to select new funds.

Selection and retention of investment managers will be based upon each manager's demonstrated ability to provide superior returns over extended time periods compared to similar portfolios, and also upon investment philosophy, organizational stability, and other relevant factors. A written "Investment Guideline Statement" or prospectus clearly outlining objectives and responsibilities will be in place with each investment manager. For the non-endowment funds, the managers shall have discretion to invest assets in cash reserves as they deem appropriate but will be expected under normal circumstances to be fully invested in their assigned asset class. A manager's performance will be evaluated against their fully invested passive benchmark and against similar portfolio results. Passive benchmarks will be used for comparative purposes which most closely approximate the investment mandate's duration, credit quality, security composition, capitalization, style, asset class, etc.

To the extent bequests are made to the University via shares of marketable equity securities, the following provisions apply:

- The policy on bequests as defined by the University Guidebook number 5007.01 will supersede all provisions within this Policy.
- If the bequest is a non-endowed gift, the securities will be sold as soon as prudently possible.
- If the bequest is an endowed gift, the securities will be transferred to the YSUF to manage, unless otherwise specified by the donor and agreed to by the Board of Trustees. Assets held/invested by the YSUF or other institution on behalf of the University will be managed in accordance with pre-arranged investment advisory agreements as well as under the guidelines of this Policy.

Procedures:

1. The Vice President for Administration shall be accountable to the Board of Trustees for implementing this Policy.
2. The Vice President for Administration will report to the Investment Subcommittee at least quarterly on the status of the non-endowment and endowment portfolios.
3. It shall be permissible for the Vice President for Administration to realize gains and losses if such an action would be consistent with the University's investment goals. Losses and gains realized on the non-endowment portfolio shall be charged against current income unless otherwise approved by the Investment Subcommittee.
4. Between meetings of the Board of Trustees, if deemed advisable, other investments not specifically authorized by this Policy may be made if approved by the Investment Subcommittee. Any such actions shall be taken to the Board of Trustees for review at its next meeting.