

Northern Essex Community College

Investment Policy

September 7, 2011

**NORTHERN ESSEX COMMUNITY COLLEGE
INVESTMENT POLICY**

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NORTHERN ESSEX COMMUNITY COLLEGE INVESTMENT POLICY

I. Purpose

This Statement of Investment Policy ("Policy") is intended to be used as a policy and procedural guide for the administration of Northern Essex Community College ("College") investment funds. The administration of these funds will comply with Massachusetts General Law ("MGL") Chapter 15A and MGL Chapter 180A, also known as the Uniform Management of Institutional Funds Law. This Policy will also serve as a basis for the College's management in carrying out their investment duties, and for the Board of Trustees in monitoring management's investment activities.

The College will use the services of an Investment Management Firm ("Fund Manager") to carry out the College's investment activities. The basic responsibility of the Fund Manager(s) will be to keep management abreast of the economy, market conditions, and to invest in a mix of eligible instruments within the context of laws, regulations and this Policy.

II. Objectives

The primary objectives of the Policy are to provide a balance of safety and growth of principal as well as sufficient liquidity to ensure a reasonable degree of flexibility in the operations of the College, while also increasing long-term capital growth and appreciation for the portfolio. This means that investments will be made which, if necessary, will provide the College with the ability to convert any asset to cash with the least amount of credit or interest rate risk or loss of principal.

III. Prudence

All investments made for the purpose of attaining the foregoing objectives will be made exercising the judgment and care consistent with the Prudent Investment Rule and consistent with all applicable statutes, regulations and generally accepted investment practices. The Prudent Investment Rule generally refers to discharging of duties in good faith and with that degree of due diligence, care and skill which a prudent person would ordinarily exercise under similar circumstances in a like position.

The President and Vice President of Finance and Chief Financial Officer (CFO), acting within

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the guidelines of this Investment Policy, will not be held personally responsible for increased credit risk or market price change. It is the CFO's responsibility to report these deviations immediately to the College's President. They, together, will take appropriate action to minimize any adverse developments. They will communicate with the NECC Board of Trustees' Audit and Finance Committee, as appropriate.

IV. Portfolio Composition

The College's investment portfolio, for purposes of this Policy statement, shall consist of three categories of financial investments: (1) fixed income – short and long term (bonds); (2) equity (stocks); (3) cash or cash equivalents. Commodities, derivatives, credit swaps, and other similar investments are not allowed.

1. Fixed Income - short term and long term (bonds):

- (a) *Fixed Income -short-term* - These are investments which have maturities of no longer than one year. The purpose of the fixed income short-term investment portfolio shall be to provide sufficient liquidity to meet institutional objectives. The use of this portion of the portfolio shall be consistent with management's anticipated cash flows and future investment opportunities.

- (b) *Fixed Income -long-term* - These are investments which have maturities for more than one year from the date of investment. The purpose of the long-term portion of the investment portfolio shall be to maximize return within the context of other recognized needs and risks. The portfolio shall be considered for purposes of total return and the provision of long term funding of capital needs. Eligible securities and other restrictions are as follows:
 - 1. U.S. Treasury and Federal Agency Securities
 - 2. Corporate Bonds
 - a. All corporate bonds shall have an investment grade rating of BBB or better as published by Moody's or Standard & Poor's at the time of purchase

2. Equity (stocks):

The purpose of the equity investment portfolio shall be to maximize return and provide a hedge against inflation through a diversified approach in compliance with applicable Massachusetts statutes. Eligible securities, appropriate rating service and dividend policy follows:

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Eligible Securities

Mutual Funds

Individual Equities

Exchange Traded Funds

Dividend Policy

Maximum Reinvestment
to Enhance Growth

Maximum Reinvestment
Enhance Growth

Maximum Reinvestment
Enhance Growth

3. Cash and Cash Equivalents:

This component of the portfolio should be minimal. These are instruments that are relatively "liquid" in nature and are available for operational and/or investment opportunities.

V. Asset Allocation

To achieve the investment objectives, the portfolio shall be allocated among the following, but not limited to, asset classes:

<u>Asset Class</u>	<u>Min. Wt.</u>	<u>Target Wt.</u>	<u>Max Wt.</u>	<u>Benchmark</u>
Equities	40%	60%	70%	S&P 500
Fixed Income	30%	40%	60%	Barclays Aggregate
Cash	0%	0%	30%	90 Day T Bills

The investment returns achieved by the Investment Manager(s) will be compared to the representative indices as well as the performance of the universe of similarly managed peer groups, as defined by eVestment. The general policy shall be to diversify investments across fixed income and equities, with the goal of producing above market, risk adjusted total returns. Periodic review and rebalancing will be done by the Investment Manager(s) to maintain investment target weights when instructed and approved by NECC and its authorized person.

VI. Fund Manager

The approved Fund Manager must be fully-licensed and registered by all applicable Federal, State and professional agencies/organizations. The Fund Manager will be responsible for managing the portfolio consistent with the overall objectives of the Policy. Additionally, their

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responsibilities will include providing the College with current economic conditions and market forecasts, and, timely reports on the College's portfolio which may impact investment strategies. The Fund Manager(s) shall be advised of the College's operational needs (if any) and projected capital expenditures that may impact the portfolio.

Each year, the Board of Trustees will review the financial strength, standing, and performance of the Fund Manager. During this review, any material change in the licensing, registration or other information deemed material in the relationship between the College and the Fund Manager should be communicated to the Board of Trustees.

VII. Use of Investment Portfolio

The College's intent in investing in securities is to hold the respective security to its maximum earning potential. The Fund Manager is authorized to buy and sell securities to improve yields, quality and marketability, or, to realign the composition of the portfolio in order to make it consistent with the policies set forth herein. In addition, upon the direction of the President and CFO of the College, monies within the portfolio may be used for funding unanticipated or extraordinary operational expenses of the College or capitalizing on other opportunities.

VIII. Reporting and Monitoring

The Fund Manager will provide the College with timely reports which will include all transactions, fees/charges and accumulated earnings and changes in market value for the stated period. No less than once each quarter, the Fund Manager will provide a report to Executive Management. The report should include purchases and sales of securities, composition, valuation, quality and yield performance of the Portfolio for the stated quarter. The Fund Manager will meet with the Board of Trustees on request but no less than once each year to review the investment objectives against the portfolio and economic forecasts.

IX. Assignment of Responsibilities

The College's President and CFO is responsible for carrying out the investment activities for the cash management and investment funds of the College. The President and CFO may delegate authority to the Fund Managers to conduct investment transactions consistent with the goals and objectives of this policy.

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X. Ethics and Conflict of Interest

Trustees, officers and employees of Northern Essex Community College involved in the investment process shall refrain from personal business activities that could conflict with the proper execution of the investment program or which could impair their ability to make impartial investment decisions. Even the perception of a conflict of interest should be avoided to the greatest extent possible. All ethics rules and laws of the Commonwealth of Massachusetts are hereby incorporated by reference in this policy.

XI. Safekeeping and Custody

To protect against potential fraud and embezzlement, the investment assets of Northern Essex Community College shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only by book entry or through third-party institutions. Investment officials shall be bonded or insured.

XII. Procedure for Changing Investment Policy

This Investment Policy Statement may be changed only by approval of the Board of Trustees. The President and/or CFO shall report to the Board of Trustees on an as needed basis regarding the desirability of modifying the Investment Policy Statement.