Cleveland State University

3344-64-01 Investment Policy.

(A) The board of trustees of Cleveland state university (the university) is vested by state statute with responsibility for the oversight of the university. The responsibility of the university's board of trustees, through its committee on financial affairs (the committee), is to establish broad guidelines for the university's short-term and long-term needs (investment policy), create an investment committee, engage an investment advisor, determine or approve asset allocation, and monitor performance of the investment advisor on a regular basis. The investment advisor is responsible for optimizing the return on the assets within the guidelines that have been established.

(B) The university's investment policy will have disciplined investment objectives and consistent management strategies that can accommodate relevant, reasonable, or probable events.

(C) The purpose of this investment policy is to establish a clear understanding of the investment objectives of the university's short-term and long-term investment needs and will be utilized by the university in monitoring the investment on a continuing basis.

(D) Objectives. The primary objective for the investments of the university's investment policy is the preservation of capital while providing for the long-term growth of principal with limited exposure to risk. The overall long-term investment objective of the Portfolio is to preserve capital and maintain sufficient liquidity for the University to support operational needs. Secondarily, the Portfolio seeks moderate growth to appreciate investments at a rate greater than spending and keep up with inflation over a market cycle, generally seven to ten (7-10) years.

(E) Portfolio Structure. The University's Operating Funds ("Portfolio") is comprised of Short-Term Funds and the Long-Term Pool. The University targets 30% of the Portfolio in qualifying cash equivalents and short-term fixed income to meet the liquidity needs of the University and to comply with Ohio Revised Code. The Investment Committee will monitor the total cash and short-term fixed income balance and work with the Investment Advisor to adjust as needed. If the Portfolio is not allocated 30% or more to cash equivalents and short-term fixed income, the Committee, and the Investment Advisor will develop a plan to rebalance the Portfolio over a reasonable period. It is also recognized that operational cash flows for the University can be irregular, and the Committee considers the balances on average overtime.

(1) Short-Term Funds. The Short-Term Funds may be managed internally or by one or more fixed-income investment managers provided that sufficient liquidity is maintained to meet the objectives of the pool. Assets in the Short-Term Funds shall be invested in Cash Equivalents and Short-Term Fixed Income Investments that qualify under the Ohio Revised Code requirements stated in this Policy.

(2) Long-Term Pool. The assets in this pool will be invested with a long-term time horizon and seek value appreciate over time. While still operating reserves of the University, this pool is managed as a quasi-endowment.

(3) Compliance with Ohio Revised Code 3345.05.

(a) At least twenty-five per cent of the average amount of the investment portfolio over the course of the previous fiscal year be invested in securities of the United States government or of its agencies or instrumentalities, the treasurer of state's pooled investment program, obligations of this state or any political subdivision of this state, certificates of deposit of any national bank located in this state, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank, money market funds, or bankers acceptances maturing in two hundred seventy days or less which are eligible for purchase by the federal reserve system, as a reserve;

(b) Eligible funds above those that meet the conditions of division 3345.05(C)(1) may be pooled with other institutional funds and invested in accordance with section 1715.52 of the Revised Code.

(c) The establishment of an investment committee.

(d) The investment committee established under 3345.05(C)(3) shall meet at least quarterly. The committee shall review and recommend revisions to the board's investment policy and shall advise the board on its investments made under 3345.05(C) in an effort to assist it in meeting its obligations as a fiduciary. The committee shall be authorized to retain the services of an investment advisor who meets both of the following qualifications:

(e) The investment advisor is either:

(i) Licensed by the division of securities under section 1707.141 of the Revised Code;
(ii) Registered with the securities and exchange commission.
(iii) The advisor either:
(a) Has experience in the management of investments of public funds, especially in the investment of state-government investment portfolios; or
(b) Is an eligible institution referenced in section 135.03 of the Revised Code.

(F) Duties and Responsibilities.

(1) Board of Trustees. The Board of Trustees is responsible for approving the investment policy statement and may delegate the implementation of the statement to the investment committee.

(2) Investment Committee. As delegated by the Board of Trustees, the investment committee ("Committee") will consist of the Chair of the Financial Affairs Committee of the Board of Trustee or designee' the Chief Financial Officer, and the Controller. The Committee will meet quarterly. The Committee is responsible for ensuring that the investment process is managed in a prudent manner, seeking to meet the Portfolio's investment objectives. The Committee will review and recommend revisions of this Policy to the Trustees and will retain the services of an Investment Advisor.

(3) The Investment Advisor is responsible for the following:

(a) Monitor the performance of the Portfolio to determine if the collective investment strategy is meeting objectives.

(b) Perform strategic asset allocation analysis from time to time to determine if the current strategy is appropriate to meet the investment objectives.

(c) Recommend tactical changes following the investment process of the firm to the investment committee and implement the decision of the investment committee.

(d) Perform due diligence on Investment Managers to determine their continued suitability within the

Portfolio.

(e) Recommend or implement the hiring, terminating, or replacement of Investment Managers to the Investment Committee and implement the decision of the investment committee.

(f) Provide performance reports to help the Committee evaluate each Investment Manager and the results of the overall Portfolio.

(g) Assess overall investment fees of the Portfolio.

(4) Investment Decision Authority. The Board of Trustees is delegating decision making authority, or discretion, to the investment committee. This authority permits making tactical asset allocation adjustments, raising or investing cash, and retaining and replacing investment managers. The guidelines stated within this Policy and the Investment Policy must be met when making investment decisions. Any decision sought outside of the Policy parameters herein stated must have prior approval from the Trustees.

(5) Investment Managers. The Portfolio shall engage professional Investment Managers for the direct investment management of the Portfolio's assets, including separately managed accounts, mutual funds, comingled funds, and partnerships. Each Investment Manager has discretion to purchase, sell, or hold the specific securities within their specific investment mandate.

(a) Voting of proxies. Investment managers are responsible for voting proxies which should be made in the best interest of investors.

(b) Execution of security trades. The Investment Manager is expected to transact securities in a manner designed to receive a combination of best price and execution.

(6) Custodian. The Custodian will physically maintain possession of securities owned by the Portfolio, settle transactions, collect dividend and interest payments, and redeem maturing securities. The Custodian shall also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Portfolio accounts. The Custodian is responsible for providing monthly statements. Access to online balances and statements should be made available.

(G) Diversification and Asset Class Purpose. The total Portfolio will be constructed and maintained to provide prudent diversification regarding Investment Managers, styles, regions, sectors, and number of holdings. Asset classes, or broad segments of the Portfolio, serve varying purposes as described below:

(1) The purpose of the Growth Assets allocation is to provide a total return that will simultaneously provide for growth in principal and current income sufficient to support the Portfolio, while at the same time preserving the purchasing power of the Portfolio's assets. It is recognized that the Growth Assets allocation entails the assumption of greater market variability and risk.

(2) The purpose of the Diversifying Assets allocation is to provide diversification, risk reduction, as well as enhance the overall risk-adjusted performance.

(3) The purpose of the Income & Liquidity allocation is to provide a deflation hedge, to reduce the overall volatility, and to produce current income in support of the needs of the Portfolio.

(4) The purpose of the Cash allocation is to provide liquidity for short-term obligations. All cash and equivalent investments should be made with concern for quality. High return is desirable, but the highest possible investment return should be sacrificed where quality is considered questionable.

(5) Long-Term Pool Asset Allocation Guidelines:
   (i) Growth Assets Target 55%; allowable range 45-65%;
   (ii) Diversifying Assets Target 15%; allowable range 5-25%;
   (iii) Income and Liquidity Assets Target 30%; allowable range 20-40%.

(H) Monitoring Portfolio Performance. Performance results will be measured in three ways over a full business cycle, generally 7-10 years:

1. The investment objective of the Portfolio;
2. A blended benchmark of market indices based on the strategic asset allocation of the Portfolio; and
3. Peer universe of similar sized peers (if applicable).

(I) Permissible Investments. The Portfolio may be invested in the types of investments listed in the chart below. Mutual funds are bound to their prospectus guidelines and not this policy or the Investment Policy.

(1) Growth Assets. Growth Assets may consist of Common stocks;

Convertible preferred stocks; American depository receipts (ADRs) of non-U.S. companies; Stocks of non-U.S. companies (Ordinary shares); Equity mutual funds and exchange traded funds.

(2) Diversifying Assets. Diversifying Assets may consist of: Real estate investment trusts (REITs); Tactical asset allocation strategies; Absolute return strategies; Long-short equity and fixed income strategies; Macro strategies; Private debt strategies; Mutual funds and exchange traded funds.

(3) Income and Liquidity Assets. Income and Liquidity Assets may consist of: U.S. government and agency securities; Municipal bonds; Corporate notes and bonds; Mortgage-backed bonds; Preferred stock; Fixed income securities of foreign governments and corporations; Fixed income mutual funds and exchange traded funds

(4) Cash Equivalents: Cash Equivalents may consist of: Treasury bills; Commercial paper; Banker's acceptances; Repurchase agreements; Certificates of deposit; Deposit accounts; Money market mutual funds and exchange traded funds.

(J) Selection of Investments and Managers. Investment Managers must meet the following minimum attributes to manage the Portfolio:

(1) The institution should be a bank, insurance company, investment management company, or an investment adviser under the Registered Investment Advisers Act of 1940;

(2) The institution should be operating in good standing with regulators and clients, with no material pending or concluded legal actions;

(3) The institution should provide detailed information on the history of the firm, its investment philosophy and approach, and its principals, clients, locations, fee schedules, and other relevant information to the Investment Consultant;

(4) The Investment Manager must also meet the following standards:

(i) Performance reporting should comply with the CFA Institute's Global Investment Performance Standards (GIPS);

(ii) Risk and risk–adjusted return measures should be evaluated and be within a reasonable range relative to an appropriate, style-specific benchmark and peer group;

(iii) Fees should be competitive compared to similar investments.

(K) Removal of an Investment Manager. There may be circumstances which dictate reasons to remove an Investment Manager. The following are general guidelines which may give reason to remove an Investment Manager:

Failure to comply with the investment guidelines;
Underperformance relative to relevant benchmarks or peer groups, with an emphasis on long-term (three and five year) rolling time periods;
Significant qualitative changes to the investment management organization;

Each Investment Manager shall be reviewed ongoing in regard to performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact its ability to achieve the desired investment results. If the Investment Manager has failed to adhere to one or more of the above conditions, it is reasonable to presume a lack of adherence going forward. Any decision to remove an Investment Manager will be treated on an individual basis and will not be made solely based on quantitative data. In addition to those above, other factors may include professional or client turnover, or material change to investment processes. Considerable judgment must be exercised in the removal decision process.

(L) Investment manager restrictions

(1) There shall be no short-selling, securities lending, financial futures, margins, options without the approval of the committee.

(2) Each investment manager will be instructed that at cost, an individual common stock will not represent more than five per cent of that manager's portfolio, with the exceptions of those securities issued by the U.S. government and its agencies. Furthermore, no position of any one issue should exceed ten per cent of a manager's portfolio, except for those securities issued by the U.S. government and its agencies.

(3) No equity manager shall purchase any security when that manager's current position exceeds five per cent of the total shares outstanding without prior permission of the

investment committee.

(4) If any major management or personnel changes occur within the investment manager's firm, the committee is to be immediately notified. Furthermore, it is expected that all managers send their ADV to the university on an annual basis.

(M) Review by Board of Trustees

(1) On a regular basis the investment committee will provide updates to the board of trustees on the performance of the investments;

(2) On an annual basis the investment advisor and investment committee will provide an update to the board of trustees on the performance of the investments and recommend any proposed modifications to this investment policy.

Policy Name: Investment Fund
Policy Number: 3344-64-01
Board Approved:
Effective:
Prior effective dates: