

The Mid Michigan Community College Foundation Investment and Distribution Policy

INTRODUCTION

The purpose of the investment policy is to state the policies, guidelines and objectives of the Mid Michigan Community College Foundation Investment Portfolio (The Fund). The mission is to provide resources to fund student scholarships and programs at the College. This policy is intended to provide a clear understanding of the objectives of The Fund, the responsibilities accepted by and authority granted to the Investment Manager, and to create an effective working relationship with the college's Investment Manager, the Investment Advisory Committee, and the Mid Michigan Community College Foundation Board. It is the intent that this policy establish a philosophy which will guide The Fund toward the performance desired; that it be sufficiently specific to be meaningful and also flexible enough to be practical.

AUTHORITY

The Mid Michigan Community College Foundation Board retains overall authority for approval of investment policy and control over The Fund's management assets.

INVESTMENT ADVISORY COMMITTEE

The Investment Advisory Committee is established and appointed by the Foundation Board and makes recommendations to the Foundation Board. Specific functions of this committee are:

1. Review and recommend changes to the Investment and Distribution Policy.
2. Review and evaluate overall performance of the Investment Advisor or Manager.
3. Recommend changes to policy, practice, and investment strategy.
4. Implement the investment strategy through investment decisions.
5. Recommend to the Foundation Board the amount to be expended from the Unrestricted Expendable funds, within the parameters of this policy.

The Committee will consist of members of the community, College representatives and Foundation representatives. The total size should be approximately 8 members. The Foundation Treasurer and the MMCC Vice President of Finance and Administrative Services will be permanent members of the committee.

INVESTMENT OBJECTIVES

The primary objective of The Fund is to generate adequate income to support the activities and programs of the MMCC Foundation. Important emphasis is placed on safety, security and diversification. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. A secondary objective of fund growth will enable The Fund to keep pace with rising costs and needs. These Objectives are subject to annual review and may change frequently as The Fund grows.

ASSET ALLOCATION

The overall asset mix of The Fund, measured by market value, shall be as follows:

	Maximum	Minimum	Target
Equities	70%	10%	60%
Fixed Income	90%	30%	40%

No separate cash shall be maintained. Cash balances maintained as part of the normal course of business may be invested in a money market fund. The Advisor or Manager shall rebalance The Fund to within the prescribed asset allocation range whenever necessary.

AUTHORIZED INVESTMENTS

Fixed Income

- * Bonds, Notes or Treasury Bills of the United States or its agencies.
- * Corporate Bonds rated investment grade by Moody's Investors Service, Inc. or Standard and Poors Corporation.
- * Certificates of Deposit of institutions which are members of the Federal Deposit Insurance Corporation.
- * Commercial Paper rated prime as A1 by Moody's Investors Service and/or P1 by Standard and Poors Corporation.
- * Bankers Acceptances issued by banks that have a minimum long term debt rating of AA or domestic banks and AAA for foreign banks and short term debt rating of at least A1 or equivalent by all applicable rating services that rate the issuer. Maturities may not exceed 180 days.
- * The quality of the fixed income portfolio shall maintain a weighted average between A and AAA
- * Maturities may not exceed 10 years.
- * The average weighted maturity of the fixed income portfolio shall fall in a range of 1-7 years.
- * Convertible securities will be treated as fixed income investments for the purpose of asset allocation and performance measurement and shall not exceed 10% of the total fund measured by market.

Equities

- * Equity investments shall consist of common stocks traded on the New York Stock Exchange, American Stock Exchange, Principal Regional Exchanges or Over-the-Counter Securities Market (NASDAQ).
- * International equity investments may consist of Registered American Depositary Receipts (ADR's) and unregistered ADR's and equities traded on exchanges outside the United States and issued in non-US denominated currency and shall not exceed 30% of the total fund measured by market value.
- * Mutual Funds may be purchased if the stated objectives of the fund are consistent with the investment objectives set forth above.

General

- * All investments must have a readily ascertainable market value and must be readily marketable.
- * The individual securities of any one issuer shall not exceed 5% of the market value assets of The Fund (except for money market funds, mutual funds and obligations of the U.S. Government and its agencies).

PROHIBITED INVESTMENTS

- * Short Sales
- * Put and Call Options Strategies
- * Margin Purchases
- * Direct investment in commodities (futures)
- * Securities of the Investment Manager or its parent corporation including proprietary mutual funds.
- * Direct investment in tangible assets such as real estate, oil and gas and precious metals.
- * Private Placements
- * Venture Capital Financing
- * Convertible Principal Protected Notes may not exceed 20% of the Convertible portfolio.
- * The following synthetic or non-traditional convertible securities
 - Synthetic Convertible Units
 - Aces - Automatically Convertible Equity Securities
 - Chips - Common linked higher income participating debt security
 - Percs - Preferred Equity redemption cumulative stock
 - Yes - Yield enhanced stock
 - MCPDPS - Mandatory conversion premium dividend preferred stock
 - DECS - Dividend enhanced convertible stock
 - MARCS - Mandatorily adjustable redeemable convertible securities
 - Prides - Preferred redeemable increased dividend equity securities
 - ELKS - Equity linked debt securities
 - EYES - Enhanced yield equity security
 - YEELDS - Yield enhanced equity linked debt security
 - LEAPS - Long-term equity anticipation securities
 - MIPS - Convertible monthly income preferred stock
 - SAILS - Stock appreciation income-linked securities

PERFORMANCE OBJECTIVES

On an absolute basis, the performance of The Fund, net of fees, shall be compared to a composite index comprised of 60% S&P 500 and 40% Lehman Brothers Intermediate Government/Corporate Bond Index. In addition, the portfolio performance, net of fees, shall also be maintained at a minimum of 2% above the inflation rate as represented by the annualized Consumer Price Index over a 5-year period.

The portfolio performance, net of fees, for each individual investment manager shall compare favorably with the market index which best reflects the capitalization, style and other characteristics of the manager.

On a relative basis, the total portfolio, net of fees, shall be compared to a composite of the individual market indices weighted in the same proportion as the average portfolio allocation of the managers.

The standard deviation (risk) of the total portfolio should approximate the standard deviation of the composite index.

DISTRIBUTION POLICY

The Distribution Policy reflects the fundamental objective of supporting the MMCC Foundation's activities while preserving and enhancing its financial resources. Foundation funds can be used to serve the college in many meaningful ways for which public funds may not be available. Within this framework, reasonableness and fiduciary responsibility must guide the use of funds.

There are three primary kinds of funds within the Foundation:

Restricted Endowed Funds:

Restricted endowed funds are placed by donors in endowments in which the principal is preserved in perpetuity. The income generated by each fund is made available as outlined in the donor's restrictions. The Foundation reserves the right to take a fee based on actual expenses or a percentage of the market value of each restricted endowed fund. This fee is used to pay expenses associated with the processing and administration of the fund.

Restricted Expendable Funds:

These funds (sometimes referred to as pass-through funds) are made available for specific purposes as specified by the donor. Each fund can be fully expended in support of the program named by each fund. The Foundation reserves the right to charge a fee for the processing and administration of restricted expendable funds and to cover the costs of associated fundraising efforts.

Because the Foundation Board has little control over restricted funds, such funds are not included in the annual distribution calculation.

Unrestricted Expendable Funds:

Unrestricted expendable Foundation funds, and any investment income generated from those funds, can be used for the general benefit of the college, its specific programs, and its students. Any benefit that might accrue to a donor, faculty or staff member must be incidental. A portion of these funds may also be used for administration, staffing, and costs associated with the Foundation, its programs, and events.

Annual Foundation distributions from unrestricted expendable funds should total no more than 5% of a five year moving average of the market value of the unrestricted investment portfolio (calculated using the prior five June 30th year-end financial reports). The Investment Advisory Committee will meet each June to make a recommendation for the actual amount to be expended, based on this policy and the Foundation's expected disbursements. This recommendation will be acted on by the Foundation Board at the July meeting.

REPORTING

On a quarterly basis, the Investment Manager shall present to the Investment Advisory Committee a written report on The Fund's status and investment performance relative to the goals and objectives set by this policy. The report shall also include a review of market trends and outlook, an update on investment strategy and recommendations for asset allocation or individual manager changes as appropriate.

The Investment Advisor shall report promptly any significant changes in their firm or the investment management ownership, management, professional personnel or organizational structure that might result in a conflict of interest, change in investment philosophy, or otherwise alter the management of The Fund's assets.

The Investment Manager shall promptly report any downgrades in the rating of investments held by The Fund and make recommendations as appropriate.

The Mid Michigan Community College Vice President of Finance and Administrative Services and the Foundation Treasurer shall report the results of the quarterly performance review to the Foundation Board.

When appropriate or necessary, the Committee will communicate with the Mid Michigan Community College Board of Trustees through the Board of Trustees representative on the Foundation Board.

DONATIONS

As deemed appropriate by the MMCC Business Office, assets donated to the College shall be transferred to The Fund by the 25th of each month for investment purposes effective the first of the following month.

To the extent possible, all funds will be used for the intended purpose of the event or donation.

POLICY REVIEW

The Investment Advisory Committee shall review this Investment and Distribution Policy at least annually and make recommendations for changes, as appropriate, to the Foundation Board.

Original: December 10, 2002
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