
**California State University Maritime Academy
California Maritime Academy Foundation, Inc.**

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TITLE: Investment Procedure
DIVISION: CMA Foundation, University Advancement
DEPARTMENT: University Wide

- I. Introduction
 - A. These guidelines apply to those gifts and donations in the form of endowments, those monies set aside by the Board as designated funds, building funds and to those contributions received for unrestricted funds.
 - B. The Foundation shall generally be limited to placing investments with those firms and/or instruments which adhere to the standards of these guidelines, and which meet the standards of a prudent investor.

- II. The Finance Committee
 - A. The Finance Committee is responsible to the Board of Directors for the oversight and management of Investment funds of CMAF. The Committee may employ investment counsel and may delegate authority to purchase and sell securities for the account of CMAF. The Committee will report to the Board quarterly and will submit annually to the President and Treasurer their estimates of the spendable amount available from investments for budgeting purposes.

- III. Transaction Authorization(s)
 - A. Investment transactions over \$15,000 require the written authorization of two authorized signors as resolved in the Board of Directors annual Resolution for Authorized Signatures on Fiscal Accounts.

- IV. Monitoring
 - A. The Finance Committee will be responsible for monitoring the performance of the investment portfolio on a quarterly basis. In its review the Committee will consider, among other items, the following:
 - 1. Adherence to policy – that the portfolio manager(s) have adhered to the policy set forth in the policy document.
 - 2. Adherence to strategy – that the investment advisor(s) have followed the current strategy jointly agreed upon by him/her and the Investment Committee.
 - a. Relative performance- evaluates investment management in relation to the capital markets and other managers of similar funds with like aims.
 - B. The following indices may be used, but not limiting to, in discussing the evaluation with the Committee:
 - 1. Consumer Price Index
 - 2. 90-Day Treasury Bill Rates
 - 3. US AGG=5.10 - Bond Index
 - 4. Standard and Poors 500 Stock Index
 - 5. Other appropriate benchmarks

- C. The Committee recognizes that performances for an interval as short as one year or less are not a fair basis for the evaluation of invested assets. The Committee reserves the right to change any investment management service.
- V. Investment Objectives
- A. The primary investment objectives are to preserve the purchasing power of the assets throughout time and to provide a stable flow of annual resources for the Academy's scholarship and academic programs.
- B. An additional objective of the investment management guidelines is to prescribe a general course of action for the endowment and building funds' investment manager. The objective is to promote growth in the investment funds sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant-dollar value and purchasing power of the funds for future generations, and to preserve the principal of operating cash and reserves while producing market-level income. The minimum total-return objective for the portfolio shall be equal to or exceed the benchmark for each investment category.
- VI. Accounting-Unrealized Market Gains(Losses)
- A. Unrealized Market Gains (Losses) are added to the General Ledger book value (corpus, hard dollars) of each Endowment fund and each Building Fund. Unrealized Market Gains (Losses) are pro-rated quarterly based upon beginning year Fair Market Value (FMV). FMV is determined by adding the General ledger book value to the accumulated Unrealized Market Gains (Losses).
- VII. ACCOUNTING-Interest And Dividends
- A. Interest and dividends are pro-rated to participating accounts based upon average cash (and investment) balance. The allocation is calculated each month and credited to the accounts in the month following the close of the prior month. If there is a negative cash balance, negative interest income will be allocated. Generally participating accounts are Endowment funds, Building funds, designated funds (non-discretionary), Student Union and campus programs. Specific funds may be added to the pool if there is a substantial cash balance or if there are regulations or contractual stipulations to be adhered to as determined by Foundation Management.
- VIII. Sale Of Donated Securities
- A. The Foundation's policy shall be to sell, upon receipt, all publicly traded securities received as donations.
- IX. Allocation Of Earnings
- A. It is the policy of the CMAF that all funds in the investment pool earn the same rate of return. Therefore, all earnings from invested funds shall be pooled together and allocated back based on the participant's investment balance from the prior month.
- X. Endowment Spending
- A. The purpose of the Endowment, established in the most part from donor funds, is to provide a perpetual source of operating support to endowed projects and programs. The Foundation's spending policy allocates total earnings from the portfolio between current spending and reinvestment for future earnings and has been designed with three objectives in mind:
1. Provide current programs with a predictable, stable stream of revenues;
 2. Ensure that the purchasing power or real value of this revenue stream does not decline over time; and

3. Ensure that the purchasing power or real value of the Endowment assets does not decline over time.
- B. The cost of current operating programs will likely increase over time at least as fast as inflation. If the endowment is to cover a reasonably constant portion of current operating expenses, endowment spending must increase at least as fast as inflation.
- C. The Foundation's policy is designed to preserve both the purchasing power of their endowments and of their endowment spending withdrawals. Such a policy also ensures that the competing needs of current and future generations of students and faculty are in financial equilibrium.
- D. The Foundation has adopted an annual spending rate target of 4% of the Endowment's Fair Market Value (FMV); computed on the December 31 FMV and available for the following academic year commencing July 1.
- E. Underwater endowments – When the FMV of an account is lower than the original Book Value (BV), the Finance Committee/CMAF will have the authority to award 30% of the earned dividend and income on an as needed basis. The percentage may be no less than \$350.
- F. This investment policy will be submitted to the Foundation's Board of Directors annually for review and modifications as determined appropriate.

XI. Manager Reporting And Evaluation

- A. It is expected that professional management responsible for the investment of these funds shall report not less than quarterly on the performance of the portfolio, including comparative gross returns for the funds and their respective benchmarks, as well as a complete accounting of all transactions involving the Foundation's investments during the quarter, together with a statement of beginning balance, fees, capital appreciation, income, and ending balance for each account.

XII. Conclusion

- A. This Investment procedure and accompanying policy is designed to assist the Board of Directors, the Investment Committee, The Investment Consultant and any Investment Manager(s). It should not be considered a legal document or contractual obligation. It should be viewed as a flexible document whose purpose is to assist all parties in the management of the Foundation's assets.

The Officers and Board members of the CMA Foundation adopted this Investment Procedure at the December 12, 2012 board of directors meeting. See meeting minutes.

HISTORY: MARCH 13, 2003

REVISION: DECEMBER 12, 2012