RESOLUTION OF THE
VIRGINIA STATE UNIVERSITY BOARD OF VISITORS

APPROVING BOARD OF VISITORS POLICY 1900:
INVESTMENT

WHEREAS, the Virginia State University Board of Visitors ("Board") has the power to make policies concerning the University and to manage the funds of the University; and

WHEREAS, on September 17, 2010, the Board approved Virginia State University Policy 4020 - Endowment Investment and Spending Policy ("Policy 4020"), that provided guidance on how the University would manage investments; and

WHEREAS, the Board seeks to replace Policy 4020 with a policy, Virginia State Policy 1900 - Investment ("Policy 1900") that provides a more detailed framework for the management of the Endowment with respect to governance structure, financial objectives, the Title III Endowment Challenge Grant Program, requirements of external advisors, and standards of prudent management; and

NOW, THEREFORE, BE IT RESOLVED, the Board of Visitors of Virginia State University has considered and hereby approves Policy 1900 - Investment, which provides for the more detailed framework for the management of Endowments, related Title III programs, external advisor requirements, and prudent management standards; and

BE IT FURTHER RESOLVED, that Policy 1900 supersedes and replaces Policy 4020 – Endowment Investment and Spending; and

BE IT FURTHER RESOLVED, that the Board of Visitors of Virginia State University does hereby authorize and direct the President to execute and distribute the aforementioned Policy 1900 to the University Community.

Harry Black, Rector

4/21/17
Date

Thursa Crittenden, Secretary

4.21.17
Date

Title: Investment Policy Statement Policy: 1900

Purpose

This Investment Policy Statement has been established by the Board of Visitors of Virginia State University ("the Board") to govern the investment of the pooled endowment funds ("the Endowment") owned by Virginia State University ("the University") and will set forth the responsibilities of the University, its investment advisors, and its external managers.

The University's Endowment consists of gifts, Board-designated endowments, and funds connected with the Title III Endowment Challenge Grant Program. It is the intent of the Board that these funds be invested with a long-term approach aimed at generating sustainable levels of income to support the academic mission of the University.

This Investment Policy Statement will provide a framework for meeting the Board's objectives with respect to the investment of the Endowment by providing guidance on the following matters:

- Governance structure for the Endowment and the responsibilities of the Board, senior management of the University, investment advisors, and internal financial staff.
- Financial objectives with respect to the management of the Endowment, including a long-term real return objective, asset allocation, performance monitoring, and spending policy.
- The Title III Endowment Challenge Grant Program and its role within the University Endowment and investment approach.
- Requirements of the external managers who are hired by an investment advisor.
- Define standards for adhering to prudent management and preemptively avoiding conflicts of interest.

The Board will review this Investment Policy Statement as needed, but not less than annually, and make appropriate changes. The University's Vice President for Finance and Chief Financial Officer (the "CFO") will communicate any changes in writing to the Investment Advisor (as defined below).

Authority, Responsibility, and Duties

In accordance with the Bylaws of the Board, The Facilities, Finance and Audit Committee (the "Committee") is responsible for supervising the investment and for supervising the management of the Endowment. In doing so, the Committee may elect to delegate the creation and implementation of broad or specific portfolio management responsibilities to designated advisors. Should it be decided that investment management responsibilities for certain endowment funds are to be delegated to an advisor or advisors (the "Investment Advisor"), the designated Investment Advisor shall have discretion over the day-to-day decision-making with respect to that investment portfolio within the strategic framework approved by the Committee.

When the Investment Advisor has been given discretion to manage Endowment funds, the chart below sets forth the responsibilities of the various parties involved in the management of those funds.

Governance Structure for the Management of the Endowment

	Asset Allocation	Portfolio Rebalancing	Advisor Selection, Monitoring, and Termination	Manager Selection, Monitoring, and Termination	Operations	Performance Reports
The Committee	Approves		Approves			Reviews Annually
CFO	Recommends, Monitors, and Reviews	Approves	Recommends, Oversees, Monitors	Oversees		Reviews Quarterly
Investment Advisor	Recommends, Monitors, and Reviews	Recommends		Approves, Implements, Monitors, Reports	Implements	Provides Quarterly
University Finance Staff					Implements	

Unless the Committee has specifically delegated the management and investment of the University's Endowment to an Investment Advisor, the selection, hiring, monitoring, and termination of Investment Managers may be delegated to the CFO.

Policy Statement

Financial Objectives

The University's Endowment should be treated as long-term assets managed to achieve a real total return that preserves the value of those assets, while generating an income stream to support the academic activities of the University. The Endowment's real total return will be sought from an investment strategy that provides an opportunity for superior total returns with acceptable levels of risk and volatility. The University's long-term real return objective for the Endowment is to achieve a return in excess of CPI + 5% (to cover expected distributions and administrative fees).

Asset Allocation

In order to meet return and risk objectives, Endowment funds must be strategically allocated to a variety of asset classes, each of which in turn plays a specific role within the portfolio as a whole. It is recognized that, in the long-term, proper diversification among asset classes produces the highest expected return within a prudent risk framework.

At least annually, the CFO and the Investment Advisor shall informally review and assess the asset allocation. Should the CFO and the Investment Advisor recommend changes to the asset allocation, such proposed changes will be brought to the Committee for consideration.

Given the uncertain and continuously evolving nature of investment markets, no static list of security types, asset classes, or definitions of investment management strategies can continuously express prudent practice. Therefore, the process by which investment decisions are developed, analyzed, adopted, and executed must satisfy relevant standards of care.

The section of this Investment Policy Statement entitled "Title III Related Endowment Funds" will provide additional guidance and restrictions that pertain to certain portions of the University's Endowment.

Performance Monitoring

The University does not expect that its long-term real return objective will be achievable every year and, as a result, investment returns over rolling three- , five- , and ten-year periods will carry greater significance in assessing the performance of the entire Endowment portfolio.

Benchmark indices are essential in properly considering the risk and return of individual investment managers, pooled funds, asset classes, and the performance of an advisor as a whole. The [Committee] will assign and maintain suitable benchmarks for each of these categories within the strategic framework approved by the Committee. Key considerations in selecting benchmark indices include broad market coverage, ability to passively invest, transparency of index construction, and objectivity of the index provider.

The CFO will monitor the performance and risk of the Endowment portfolio in its entirety as well as the performance of individual managers, pooled funds, asset classes, and advisors on a quarterly basis.

Title III Related Endowment Funds

Title III of the Higher Education Act of 1965 (as amended) (hereafter "Title III") was intended to improve the academic quality, institutional management, and fiscal stability of eligible institutions, including historically black colleges and universities, in order to increase their self-sufficiency and strengthen their capacity to make a substantial contribution to the nation's higher education resources. As a part of reaching these objectives, under 20 U.S.C. § 1065, Title III established an Endowment Challenge Grant Program ("Match Program") with the purpose of increasing endowment funds, providing additional incentives to promote fund-raising activities, and foster increased independence at those institutions.

The Board desires to continue leveraging these programs in order to best contribute to advancing the mission of the University. As such, participation in the Match Program requires adherence to certain conditions as set forth in Title III and subsequent amendments. In order to be eligible to use grant funds provided under Title III for the purposes of establishing or increasing an endowment, the University must provide matching funds from non-federal sources, in an amount equal to or greater than the federal funds provided for these purposes. The resulting combination of grants awarded under the Match Program plus the grants provided by the institution (in total, the "Matched Funds") are subject to a grant period, during which the principal may not be spent and is subject to the following guidelines and restrictions:

- The University, as grantee, shall exercise the judgment and care, under the circumstances, that a person of prudence, discretion and intelligence would exercise in the management of his or her own financial affairs.
- Matched Funds shall be invested in savings accounts or low-risk securities in which a regulated insurance company may invest under the Code of Virginia.
- Matched Funds may not be invested in real estate.

Matched Funds represent a significant portion of the University's Endowment. For these funds, the University will collaborate with the Investment Advisor on an ongoing basis to evaluate proposed investments and monitor existing investments to ensure their compliance with the above listed guidelines and restrictions.

Endowment Spending Policy

Subject to the intent of the donor expressed in a gift instrument and applicable law, including but not limited to the Virginia Uniform Prudent Management of Institutional Funds Act, Chapter 11 of § 64.2 of the Code of Virginia ("UPMIFA"), the expenditure of endowment funds during a calendar year shall be no greater than 4.7% of the average of the market value of an endowment portfolio (including income and appreciation of investments) on the last day of each of the three calendar years before such year.

Investment Managers

The Committee is responsible for approving the hiring or termination of Investment Advisors. In turn, an Investment Advisor is responsible for the hiring and termination of additional specialist investment firms for discretionary management of target asset classes ("Investment Managers") as part of the implementation of the objectives of the Committee as outlined in this Investment Policy Statement. Specific responsibilities of the Investment Managers include:

- Perform discretionary investment management including decisions to buy, sell, or hold various securities.
- Provide the Investment Advisor with copies of all available statements, documents, and reports in a timely manner after the close of each period.
- Communicate any major changes to economic outlook, investment strategy, or any other factors, which would affect expected performance or process.
- When appropriate, vote proxies and keep all records that will be governed by the Investment Manager's client agreement.
- Comply with applicable law, report any discrepancies, and notify the Investment Advisor and the University of any legal action taken against the Investment Manager, any arbitration, involving the Investment Manager, or any judgment against the Investment Manager or its employees.
- Implement this Investment Policy Statement to achieve the investment objectives.
- Notify the Investment Advisor and the University should circumstances occur which the Investment Manager believes would require a modification of this Investment Policy Statement in order to achieve the Committee's stated objectives.
- Notify the Investment Advisor and the University of any material change in the management, key personnel, or ownership of the Investment Manager, within ten calendar days of occurrence.
- Notify the Investment Advisor and the University of any material change in the investment philosophy of the Investment Manager in advance of such change.

Prudent Management

The University will, in accordance with law, consider the present and anticipated financial requirements of the institution, the expected total returns on investments, the capital markets environment and general economic conditions. In managing and investing the Endowment, the University shall consider the charitable purposes of the institution and manage and invest the Endowment in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

UPMIFA sets forth specific factors that, unless otherwise provided by a gift instrument, must be considered in managing and investing the Endowment. These factors include, but are not limited to:

1. The duration and preservation of the Endowment funds;
2. The purposes of the institution and the Endowment funds;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the institution; and
7. The investment policy of the institution.

Conflicts of Interest

Virginia State University will take reasonable measures to assess the independence of Investment Advisors and Investment Managers. Members of the Board, University management, and members of the internal financial staff of the University must disclose any conflicts of interest prior to the approval of an Investment Advisor or Investment Manager.

References

Title III of the Higher Education Act of 1965

20 U.S.C. § 1065 "Endowment Challenge Grants"

Code of Virginia §§ 38.2-1400 - 1411.2 "Investments"

Code of Virginia §§ 64.2-1100 - 1108 "UPMIFA"

Approved By:

H Black

Harry Black, Rector

Thursa D. Crittenden

Thursa Crittenden, Secretary

4/21/17

Date

4.21.17

Date