Notice of Meeting

College of Marin Foundation
Board of Directors

January 31, 2017, 5:00 p.m.

College of Marin, Kentfield Campus
Academic Center, Room 217
835 College Avenue
Kentfield, California

AGENDA

A. Open Session – 5:00 p.m.

1. Call to Order, Roll Call, Adoption of Agenda
2. Public Comment (3 minute limit)
3. Approve Investment Policy
4. Approve Razenne Estate Distribution
5. Adjourn Meeting

College of Marin Foundation

Investment Policy Statement

I. Introduction

The College of Marin Foundation (hereafter referred to as the “Foundation”) was created to provide perpetual financial support to the College of Marin (the “College”). The purpose of this Investment Policy Statement is to establish guidelines for the Foundation’s investment portfolio (the “Portfolio”). The statement also incorporates accountability standards that will be used for monitoring the progress of the Portfolio’s investment program and for evaluating the contributions of the manager(s) hired on behalf of the Foundation.

II. Role of Finance Advisory Committee

A. The Investment Policy Statement sets forth the investment objectives, distribution policies, and investment guidelines that govern the activities of the Finance Advisory Committee (the “Committee”) and any other parties to whom the Committee has delegated investment management responsibility for Portfolio assets.

B. The investment policies for the Foundation contained herein have been formulated consistent with the College’s anticipated financial needs and in consideration of the College’s tolerance for assuming investment and financial risk, as reflected in the majority opinion of the Committee.

C. Policies contained in this statement are intended to provide guidelines, where necessary, for ensuring that the Portfolio’s investments are managed consistent with the short-term and long-term financial goals of the Foundation. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in capital market conditions and in the financial circumstances of the College.

D. The Committee will review this Investment Policy Statement at least once per year. Changes to this Investment Policy Statement can be made only by affirmation by the Board as recommended by the Committee, and written confirmation of the changes will be provided to all Committee members and to any other parties hired on behalf of the Portfolio as soon thereafter as is practical.

III. Investment objectives and spending policy

A. The Foundation assets are to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the College.

B. For the purpose of making distributions, the Foundation shall make use of a total-return-based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments.

C. The distribution of Foundation assets will be permitted to the extent that such distributions do not exceed a level that would erode the Foundation’s real assets over time. The Committee will seek to reduce the variability of annual Foundation distributions by factoring past spending and

Portfolio asset values into its current spending decisions. The Committee will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the Foundation's spending policy, its target asset allocation, or both.

1. Historically, the Foundation has made distributions in support of the College of approximately $100,000, or about 2-3% of the Portfolio, annually.
2. The Committee recommends an annual draw maximum of 3.5%. The annual draw limit is to be calculated annually by multiplying 3.5% by the average of the prior twelve quarter-ending Portfolio values. This "smoothing" policy provides for more consistent and predictable spending for the programs supported by the Foundation and has the benefit of mitigating extreme market outcomes.

D. Periodic cash flow, either into or out of the Portfolio, will be used to better align the investment portfolio to the target asset allocation outlined in the asset allocation policy at Section IV. A. herein.

IV. Portfolio investment policies

A. Asset allocation policy

1. The Committee recognizes that the strategic allocation of Portfolio assets across broadly defined financial assets and sub-asset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and Portfolio asset value stability.
2. The Committee expects that actual returns and return volatility may vary from expectations and return objectives across short periods of time. While the Committee wishes to retain flexibility with respect to making periodic changes to the Portfolio's asset allocation, it expects to do so only in the event of material changes to the Foundation, to the assumptions underlying the Foundation spending policies, and/or to the capital markets and asset classes in which the Portfolio invests.
3. Foundation assets will be managed as a balanced portfolio composed of two major components: an equity portion and a fixed income portion. The expected role of Foundation equity investments will be to maximize long-term real growth of Portfolio assets, with a secondary role of producing income. Equity investments will be selected with the objective of building a portfolio that is diversified by geographic region, economic sector, industry, and market capitalization. The role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of Portfolio equity investments. As a result, both credit quality and preservation of principal are a core emphasis of this allocation.
4. Cash investments will, under normal circumstances, only be considered as temporary Portfolio holdings, and will be used for Foundation liquidity needs or to facilitate a planned program of dollar-cost averaging into investments in either or both equity and fixed income asset classes.
    i. Cash Reserves, as needed annually for Foundation operating expenses, should be kept in a separate account and managed separately from the asset allocation set forth in this policy.

5. Outlined below are the long-term strategic asset allocation guidelines, determined by the Committee to be most appropriate, given the Foundation's long-term objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated across broad asset and sub-asset classes in accordance with the following guidelines:

	Target %	Minimum %	Maximum %
Cash and Equivalents	0%	0%	10%
Fixed Income	35%	20%	50%
Global Equities	65%	45%	80%

6. While not specifically considered within this policy, alternative investments may comprise no more than 15% of total Portfolio assets and, to the extent they are owned, will proportionally reduce target allocations to the three primary asset classes itemized above. Alternative investments may include liquid and readily marketable nontraditional investments and will be considered on a case by case basis by the Committee.

B. Diversification policy

Diversification across and within asset classes is the primary means by which the Committee expects the Portfolio to avoid undue risk of large losses over long periods. To protect the Portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

1. Given the size of the Foundation, the use of diversified mutual funds and exchange-traded funds is preferred over individual securities. Furthermore, low-cost passively managed investment vehicles, which seek to match the returns of a broadly diversified market index, are preferred.
2. If individual securities are utilized, with the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 5% of total Portfolio assets.
3. With respect to fixed income investments, for individual bonds, the minimum credit quality of these investments shall be investment grade (Standard & Poor's BBB or higher). Bonds with an S&P rating of below BBB may be included in the Portfolio only as part of a diversified fund.

C. Rebalancing

It is expected that the Portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset and sub-asset classes. The Portfolio will be rebalanced to its target normal asset allocation under the following procedures:

1. The investment manager will use incoming cash flow (contributions) or outgoing money movements (disbursements) of the Portfolio to realign the current weightings closer to the target weightings for the Portfolio.
2. Under the discretion of the investment manager, with preference for a formal review of the Portfolio at least semiannually to determine the deviation from target weightings and recommendation for rebalancing.

D. Other investment policies

Unless expressly authorized by the Committee, the Portfolio and its investment managers are prohibited from:

1. Purchasing securities on margin or executing short sales.
2. Purchasing or selling derivative securities for speculation or leverage.
3. Purchasing or holding investments in illiquid and/or nonmarketable securities including (but not limited to) venture capital, hedge funds, and private real estate investments.
4. Directly investing in commodities and futures. These investments may be allowable as part of a diversified strategy within a liquid and marketable fund structure (such as an alternatives fund or managed futures fund).

V. <u>Monitoring portfolio investments and performance</u>

The Committee will monitor the Portfolio's investment performance against the Portfolio's stated investment objectives. At a frequency decided by the Committee, it will formally assess the Portfolio and the performance of its underlying investments as follows:

A. The Portfolio's composite investment performance (net of fees) will be judged against the following standards:

1. The Portfolio's return objective of 3.5% plus Bay Area CPI on a rolling 3 year basis.
2. A composite benchmark consisting of the following unmanaged market indexes weighted according to the expected target asset allocations stipulated by the Portfolio's investment guidelines.
    a. Global Equities: MSCI All-Country World Index
    b. Fixed Income: Barclays Capital U.S. Aggregate Bond Index
    c. Cash: Citigroup 3-Month T-Bill Index

B. The performance of professional investment managers hired on behalf of the Portfolio will be judged against the following standards:

1. A market-based index appropriately selected or tailored to the manager's agreed-upon investment objective and the normal investment characteristics of the manager's portfolio.
2. The performance of other investment managers having similar investment strategies.

C. In keeping with the Portfolio's overall long-term financial objective, the Committee will evaluate the Portfolio and manager performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a rolling three-year basis.

D. Investment reports shall be provided by the investment manager(s) on a quarterly basis or as more frequently requested by the Committee. Each investment manager is expected to be available to meet with the Committee once per year to review portfolio structure, strategy, fees and investment performance.