

Investment Procedures

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I. Purpose

The Mid-Atlantic Region Commission on Higher Education (MARCHE), doing business as the Middle States Commission on Higher Education (MSCHE or the Commission) seeks to ensure that investment practices are sound and investment objectives are achieved. The purpose of these procedures is to implement the Commission's *Investment Policy* and establish the procedures for the investment and management of financial assets. The *Investment Policy Statement (IPS)* sets forth the investment objectives, parameters, and performance expectations that govern the relationship between the Commission and any selected investment manager.

II. Procedures for Selection and Assignment of an External Investment Manager

- A. The Finance Committee will make a recommendation to the Executive Committee to initiate the process of selecting a new external investment manager.
- B. The Finance Committee will manage the process related to the selection of an external investment manager for the Commission and make a recommendation to the Executive Committee.
- C. As part of the selection process, the Finance Committee will review the *Investment Policy Statement (IPS)* and any investment guidelines and policies held by the investment manager to ensure that they are consistent and meet the needs of the Commission.
- D. The Executive Committee will act in good faith and make a prudent selection of any investment manager, based on the recommendation of the Finance Committee.
- E. The Finance Committee is responsible for monitoring the performance of the external investment manager(s) pursuant to the procedures in Section VI Procedures for Monitoring, Evaluation, and Reporting.
- F. The Finance Committee and the investment manager will agree upon the specific requirements of what should be reported and how frequently reporting should take place at the time of assignment.

III. Procedures for Establishing Overall Investment Objectives of the Portfolio

- A. The Commission will establish guidelines for making investment decisions in the *Investment Policy Statement (IPS)*. In considering its fiduciary responsibilities, the Commission, the Executive Committee, and the Finance Committee will look to Uniform Prudent Management of Institutional Funds Act (UPMIFA) as a resource for best practices.
- B. The Finance Committee is responsible for ensuring that the overall investment guidelines are periodically reviewed, confirmed on a regular basis, and set forth in the *Investment Policy Statement (IPS)*. The Finance Committee will report any changes to the *Investment Policy Statement (IPS)* to the investment manager.
- C. The investment manager has the discretion to invest the Commission's assets consistent with the purposes of the Commission, the *Investment Policy and Procedures*, and the investment objectives and portfolio investment guidelines established in the *IPS* (target asset allocation, rebalancing, liquidity requirements, benchmarks, and restrictions).
- D. Changes to investment objectives in the *IPS* may be made pursuant to the procedures in Section VIII: Procedures for Modifications and Exceptions to the Investment Policy and Procedures and Investment Policy Statement (*IPS*).

IV. Procedures for Spending or Withdrawing from the Portfolio

- A. The Finance Committee is responsible for making recommendations to the Executive Committee for the amount of funds to spend or withdraw from the portfolio to fund Commission programs and support its operational needs.
 - 1. The Finance Committee will consider the amount of reserves that would be necessary to adequately cover any applicable loan covenants, any other long-term fixed obligations of the organization and any extraordinary expenses that the Commission must be prepared to meet in the future.
 - 2. The funds currently maintained in the portfolio are not endowment funds and are not restricted by any trust or gift instrument to the use of income only. Accordingly, there are no required spending restrictions and there are no established parameters or needs from any portfolio.
- B. The Executive Committee will vote to approve spending recommendations, with notice to the Commission at its next regularly scheduled meeting.

V. Procedures for Asset Allocation Rebalancing

- A. The Finance Committee is responsible for ensuring that asset allocations are periodically reviewed, confirmed on a regular basis, and set forth in the *Investment Policy Statement (IPS)*.
- B. The investment manager has the discretion to balance the portfolio within the target asset allocations and guidelines set forth in the *IPS* at any time.
- C. The Commission may request that the investment manager rebalance the portfolio (a) on a quarterly basis; (b) within a reasonable time following material cash inflows or outflows in

and out of the portfolio; or (c) whenever the asset allocation of an asset class falls outside of its range set forth in the IPS.

VI. Procedures for Monitoring, Evaluation, and Reporting

- A. The Finance Committee is responsible for the monitoring, evaluation, and reporting on the overall performance of the portfolio and the investment manager.
- B. The Finance Committee will adopt appropriate performance benchmarks for each portfolio and/or investment manager upon which the performance of the portfolio and/or the investment manager(s) can be compared.
 - 1. The stated investment objectives, benchmarks, and expectations for performance evaluation are set forth in the *Investment Policy Statement (IPS)*.
 - 2. Performance is to be compared to all relevant benchmarks.
- C. The Finance Committee will make regular and periodic reports on the investment returns of the portfolio to the Executive Committee at least quarterly and to the Commission at its regularly scheduled meetings.
 - 1. To aid in the evaluation of portfolio trends, quarter, year to date, one year, three year, and since inception period ended returns will be reported.
 - 2. All asset classes should be compared to their relevant benchmarks set forth in the IPS and the benchmarks should remain consistent from reporting period to reporting period.
- D. On an annual basis, the Finance Committee will review and evaluate the effectiveness of the investment manager in meeting the expectations established by the Commission.

VII. Procedures for Discharging the External Investment Manager

- A. The Commission acknowledges that, from time to time, it may be necessary to replace an existing investment manager based on quantitative and qualitative concerns, including but not limited to:
 - 1. failure to meet the responsibilities and performance expectations set forth in the *Investment Policy Statement (IPS)*;
 - 2. significant changes in the organizational structure or strategy of the investment firm; or
 - 3. other qualitative concerns with the services provided by the investment manager that do not meet the Commission's needs.
- B. The Finance Committee, at its discretion, may make a recommendation to the Executive Committee for the discharge of an existing external investment manager, and will document the reasons for the recommendation.
- C. The Executive Committee will vote on the discharge, with notice to the Commission at its next regularly scheduled meeting.

VIII. Procedures for Modifications and Exceptions to the Investment Policy and Procedures and Investment Policy Statement (IPS)

- A. The Finance Committee will review the *Investment Policy Statement (IPS)* on at least an annual basis to determine whether modifications are necessary.

- B. The Finance Committee will report any recommendations for modifications to the *Investment Policy Statement (IPS)* to the Executive Committee.
- C. The Executive Committee will vote on recommended modifications to the *Investment Policy Statement (IPS)*, with notice to the Commission at its next regularly scheduled meeting.
- D. The Finance Committee will notify the investment manager of any changes to the *Investment Policy and Procedures* or the *Investment Policy Statement (IPS)*.
- E. The Finance Committee may also, from time to time, make a recommendation to the Executive Committee for any written exceptions to the *Investment Policy Statement (IPS)*.
 - 1. The Finance Committee will provide written notice of such exception which will contain the date the exception is effective, the specific exception to be allowed, and the date the exception's effectiveness will terminate.
 - 2. The Executive Committee will vote on the exception at its next regularly scheduled meeting.
- F. Notwithstanding the foregoing, the Commission may amend the *Investment Policy and Procedures* or *Investment Policy Statement (IPS)* at any time.

IX. Definitions

The following definitions are used in this policy and/or procedures:

- A. Fiduciary.** A person or organization that acts on behalf of another person or persons, putting their clients' interest ahead of their own, with a duty to preserve good faith and trust. Being a fiduciary thus requires being bound both legally and ethically to act in the other's best interests.

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