

4.15.0000 INVESTMENT POLICY STATEMENT

15.0010 STATEMENT OF PURPOSE

The Investment Policy Statement (IPS) is a long-range strategy, with sufficient detail for implementation by designated agents, yet flexible enough as not to require continuous revisions and updates.

~~The IPS will establish clearly defined investing guidelines and expectations, with a reasoned basis for measurement of compliance.~~

The purpose is to raise, receive, hold, administer, invest, and manage funds from donors wishing to benefit TMCC. Funds donated to the College may be maintained in the form of endowments, quasi-endowments, charitable trusts, or other forms the College deem appropriate. The purpose of this document is to establish policy and guidelines, which will provide for the maintenance and enhancement of College assets.

This document will be reviewed at least annually by the Investment Committee and updated or modified as needed to reflect changes in both the financial markets and needs of the College.

15.0020 STATEMENT OF RESPONSIBILITY

The College Board of Directors shall appoint a 3 to 5 member Investment Committee to represent the College. This committee shall have the responsibility for general oversight of the investment portfolio, to include selection of investment manager candidates, and make recommendations to the Board of Directors for final action. The President and the Vice President shall act in an advisory capacity and be ex-officio members of the Committee.

15.0030 ROLE OF INVESTMENT COMMITTEE

.01 The role of the Investment Committee is to provide direction for the investment of the financial assets of the College and is charged with following the responsibilities:

- a. To establish and maintain policies and guidelines for the receiving and investment of College assets.
- b. To determine the appropriate asset allocation among these assets.
- c. To provide a system for monitoring the returns on these assets, and to review the performance of these assets.
- d. To monitor the investment goals.
- e. To maintain open lines of communication with the Board of Directors, providing in-depth activity reports at each regularly scheduled meeting of this body.

.02 As such, the Investment Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

- a. Investment Consultants. The consultants may assist the Investment Committee in establishing investment policy, objectives, guidelines; selecting investment managers; measuring and evaluating investment performance; and other tasks deemed appropriate.
- b. Investment Managers. The investment managers have the discretion to purchase, sell, or hold the specific securities in accordance with the Board approved investment policies and guidelines that will be used to meet the College's investment objectives.

- c. Custodians. The custodians will physically maintain possession of the securities owned by the College, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodians may also perform regular accounting of all assets owned, purchased, or sold as well as movement of assets into and out of the College accounts.
- d. Additional specialists such as attorneys, auditors, and other may be employed by the College as recommended by the investment Committee to assist in meeting its responsibilities and obligations to administer College assets prudently.

15.0040 INVESTMENT PHILOSOPHY

- .01 The assets exist to provide long-term support to Turtle Mountain Community College.
- .02 Accordingly, the investment philosophy is based on a disciplined, consistent, and diversified approach utilizing various asset classes and management skills, with intent to accommodate styles and strategies considered reasonable and prudent.
- .03 The College spending policy will necessitate distributing a significant portion of the investment return each year and may occasionally require distribution of capital assets. However, over the long term, the investment return is expected to be greater than the amount distributed and this excess return will be reinvested. The reinvested portion should be sufficient to cover expected future inflation and investment management and related fees so that the real value of the College's assets is preserved and maintained over time.
- .04 Assets may be invested in pooled funds or in direct investments, or a combination of the two. Assets will typically be diversified among high quality stocks and bonds. Additional asset classes may be included when it is reasonable to expect the additional asset class will increase return and/or reduce risk.
- .05 Investment managers shall be selected from established and financially sound organizations, which have a proven and demonstrated track record managing similar funds. Selection of the investment managers shall depend upon factors established by the Board of Directors and will be consistent with the laws of the State of North Dakota. Such factors include, but are not limited to the manager's investment philosophy, experience and depth of personnel, investment process, past performance, and fee structure. Managers will also be reviewed and evaluated against the standards as established by the Association for Investment Management and Research (AIMR). The College recognizes its responsibility as a stockholder to encourage corporate citizenship, as well as corporate growth, in the companies whose shares are owned by the College. Corporate citizenship and social responsibility will be encouraged, based upon information available to the Investment Committee.

15.0050 INVESTMENT OBJECTIVES

The primary objective of the College's asset management program is to preserve its real (inflation adjusted) purchasing power while providing a relatively predictable, stable, and constant (in real terms) stream of earnings consistent with prudent risk limits and the College's spending needs.

To meet this broad objective, the specific performance is to attain, within acceptable risk levels, an average annual total return that meets or exceeds the sum of the College's spending (distribution) rate plus inflation plus investment management and related fees. Our focus will be

on total return without regard to whether that return is in the form of income or capital gains. In cases where the College is appointed Trustee of a charitable trust, the investment objective is to achieve a return that satisfies the distribution rate while retaining as much of the corpus as possible.

15.0060 SPENDING POLICY

The College will distribute no more than 5% of the 5 year rolling average of the market value of the Pooled Long-Term Fund and the Pooled Equity Fund. The College will distribute from the Pooled Fixed Income Fund net income. The College will distribute the contractual rate specified within the annuity or charitable trust agreements.

15.0070 INVESTMENT STRATEGY

Endowment assets will be invested in the College's Pooled Long-Term Fund, Pooled Equity Fund, and Pooled Fixed Income Fund. Charitable trusts may be funded with cash, securities, real estate, or other property and will be reinvested in the Equity Trust Investment Pool, Bond Trust Investment Pool, individual securities, or any combination of the three, as soon as practical. Each Fund will be broadly diversified through investment in multiple markets and use of multiple investment styles, thus enhancing real returns while reducing volatility. In addition, diversification will provide assurance that no single security or class of security will have a disproportionate impact on the fund's aggregate results.

The appropriate asset allocation for each charitable trust depends upon the expected life of the trust, the contractual distribution rate and the circumstances of the expected life of the trust, the contractual distribution rate, and the circumstances of the beneficiaries. The Board of Directors reviews each trust asset allocation annually.

15.0080 SPECIFIC INVESTMENT GOALS

.01 Specific investment decisions will be the responsibility of the internal and external investment managers selected by the Board of Directors and will from time-to time develop specific performance objectives and investment guidelines for each manager employed, and shall periodically review each manager.

.02 Over the 10-year investment horizon established in this statement, it is the goal of the aggregate College assets to meet or exceed:

The rate of inflation (as measured by the CPI) plus 3%.

.03 The investment goals above are the objectives of the aggregate College assets, and are not meant to be imposed on each investment account. The goal of each investment manager, over the investment horizon, shall be to:

- a. Exceed the market index, or blended market index, selected and agreed upon by the Investment Committee that most closely corresponds to the style of investment management.
- b. Display an overall level of risk in the portfolio that is consistent with the risk associated with the volatility limits specified below.

.04 Specific investment goals and constraints for each investment manager may differ from those of the entire College.

15.0090 TOTAL COLLEGE ASSET ALLOCATION GUIDELINES

Asset Class	Minimum	Maximum
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Cash Equivalents	0%	10%
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Fixed Income 30% 75%
 Bonds below Investment grade – BBB 0% 10% of total
 International Bonds 0% 10% of total
 Total Equities 25% 70%
 Large Cap 0% 45%
 Mid Cap 0% 20%
 Small Cap 0% 20%
 International 0% 20% Please review
 Emerging Markets 0% 10% of total
 Exchange Traded Funds (ETF) 0% 20% of total (This restriction is not a relevant one because etf and mutual funds both provide almost identical diversification benefits.)
 Alternative Investments (including REITS & Commodities) 0% 20% of total (Jared please take a look at)

15.0100 VOLATILITY OF RETURNS

The Investment Committee understands that in order to achieve its objectives for the College assets, the assets will experience volatility of returns and fluctuations of market value. The College could tolerate a maximum loss of approximately 20% over the 1-year investment horizon and maximum loss of 0% over a 5-year period. Therefore, the Investment Committee supports an investment strategy that minimizes the probability of losses greater than stated above. However, it realizes that the College's return objective is its primary concern. There is, of course, no guarantee that the College will not sustain losses greater than those stated herein.

15.0110 PERFORMANCE REVIEW EVALUATION

- .01 The Investment Committee will establish specific performance objectives and provide for monitoring the investment performance of the manager's employed to manage the College assets. On a quarterly basis, the Committee will receive a report from each manager regarding investment performance relative to the performance objective, risk guidelines, the manager's stated investment philosophy, and the manager's peer group. For purposes of reviewing performance, it is intended that the following objectives be achieved over a 5-year moving period, net of investment management fees.
- .02 Asset Allocation Guidelines: The long-term goal of this portfolio is to maintain a portfolio mix of 50% Equities and 50% Fixed Income +/- 10%. Once the strategic asset allocation has been obtained, the account will be periodically re-balanced to maintain the target percentages.

15.0120 POOLED EQUITY FUND

1. The total return of the actively managed funds in our portfolio is expected to exceed the target Index comprised of:

What are the guidelines for measuring performance.

Performance Relative to Peer Group

Standard Deviation

Manager Tenure

- Large Cap Equity – Russell 1000 Index
- Mid Cap Equity – 400 Midcap 400 Index
- Small Cap Equity – Russell 2000 Index
- International Equity Developed – MSCI EAFE Index
- International Equity-Developing – MSCI Emerging Market Index
- Alternative Investments Index – HFRI Fund of Funds Index

2. The total return for each **Passive/ETF in our portfolio is expected to keep pace with the benchmark or which it follows. The goal with our passive investments is to work with funds that are keeping their expense low relative to their peer group but also have a mandate to reset their allocations to not get too cap weighted to one particular stock.**

3. Each active equity investment manager is expected to rank in the top 40% of a universe of advisors utilizing a similar investment style (e.g. Large-Cap Value, Small-Cap Growth, International, etc.) over a rolling five-year period.

15.0130 POOLED FIXED INCOME FUND

1. The total return for the Pooled Fixed Income Fund and any fixed income investment manager is expected to exceed their relevant benchmark.
2. Each fixed income investment manager is expected to rank in the top 40% of the fixed income advisors over a rolling five-year period.

15.0140 TERMINATION OF INVESTMENT MANAGER

The Board of Directors reserves the right to terminate a manager for the following reasons:

1. Investment performance that is significantly less than expected given the parameters established in this Investment Policy Statement.
2. Failure to adhere to any aspect of this Investment Policy Statement.
3. Significant qualitative changes to the investment management organization.
4. At the convenience of the Board of Directors, with or without cause.