

Investment Policy

	<p>Policy identification number: To come...</p> <p>File: Governance Policies > Board of Trustees > Additional Policies</p> <p>Investment Policy</p> <p>Policy Summary</p> <p>The purpose of this policy is to set forth the policies and procedures that shall guide the Board of Trustees for Fort Lewis College in supervising and monitoring the management of Fort Lewis College’s investable assets.</p>
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<p>Policy Owner</p> <p>Board of Trustees</p>	<p>Approval Date</p> <p>June 11, 2021</p>	<p>Effective Date</p> <p>June 11, 2021</p>
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<p>Search Terms</p> <p>bot, i, investment</p>	<p>Scheduled for Review</p> <p>Fall 2025</p>
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I. Purpose of Investment Pool

The purpose of the Fort Lewis College Investment Pool is to contribute financial support to both the present and future needs of the college with the goal of delivering strong risk-adjusted rates of returns (as defined in Section V, c) over time. Fort Lewis College strives to manage the portfolio for maximum long-term real returns commensurate with the risk tolerance of the college.

II. Purpose of the Investment Policy

The purpose of this policy is to set forth the policies and procedures that shall guide the Board of Trustees (Board) for Fort Lewis College in supervising and monitoring the management of Fort Lewis College’s investable assets (the “Fund”).

III. General Investment Principles

1. Fort Lewis College shall diversify the investments of the Fund unless the Investment Advisory Committee and the Board, after appropriate deliberation, reasonably determine that because of special circumstances the purposes of the Fund are better served without diversification.
2. The Fund shall be managed in accordance with high standards of fiduciary duty and in compliance with applicable laws and regulations.
3. Standards for return, asset allocation and diversification shall be determined from a strategic perspective and measured over successive market cycles.

IV. Roles and Responsibilities

Administration : The Vice President for Finance and Administration or designee is responsible for implementation, review of current investment strategies, and reporting as required to the Investment Advisory Committee and the Board of Trustees. External investment advisors may be retained to assist the finance staff with the management of these investments. It is the staff's responsibility to implement daily operational and tactical activities of the Fund and to execute the strategic directions of the Fund. Staff shall coordinate preparation and submission of annual financial statements to the Board of Trustees, the State Treasurer, the State Auditor, and the Joint Budget Committee of the General Assembly. These financial statements shall include, at a minimum, information concerning investment income, gains, and losses, if any, and performance of investments on both a gross-of-fee and a net-of-fee basis.

Investment Advisory Committee : The Investment Advisory Committee is responsible for broad, strategic oversight of the Fund, including, but not limited to: developing sound and consistent investment policy guidelines and "prudent investor" standards, communicating clearly the major duties and responsibilities of those accountable for achieving investment results; monitoring and evaluating results to assure that the guidelines are being adhered to and the objectives are being met; making investment recommendations and approving actions to be sent forward to the full Board of Trustees for approval and action by the Vice President for Finance and Administration or designee, and undertaking such work and studies as may be necessary to keep the Board of Trustees adequately informed as to the status of the investment of assets.

Board of Trustees : The Board of Trustees has fiduciary responsibility with respect to approval and oversight of this investment policy and any subsequent changes. The Board is responsible for ensuring that appointments to the Investment Committee are made and to duly consider all actions forwarded by the Investment Advisory Committee. The Board has final responsibility for all investment decisions. The Board may also choose to delegate investment decision making authority to the Investment Advisory Committee to act on its behalf as may be desirable to ensure the timeliness of any actions the Vice President for Finance and Administration or designee has been directed to take. The Board of Trustees shall maintain a list of certificates of stock held and make the list available for public inspection during normal business hours. The Board of Trustees shall annually report to the joint budget committee of the General Assembly at each regular session of the legislature the investments made, and the earnings or losses derived therefrom. Additionally, The Board of Trustees must report the extent to which any investment managers hired by the Board have achieved or failed to achieve the performance benchmarks established in this investment policy.

Investment Consultant : The Investment Advisory Committee may engage an independent Investment Consultant to assist in the development of policies and guidelines, selecting an appropriate long-term asset allocation, selecting an appropriate manager structure, identifying investment managers, evaluating investment performance, and offering other services as requested. The consultant will prepare quarterly and annual assessments of investment performance that include results for the total portfolio and each individual investment manager compared to appropriate market indices and managers' universes. The consultant will also periodically provide in-depth and detailed analysis of each manager's portfolio.

Investment Manager : The Investment Advisory Committee may engage an Investment Manager, with review and approval of the Board of Trustees, who shall have the discretion to purchase, sell, or hold specific securities to meet the College's investment objectives consistent with the college's policy and to actively manage the Fund's asset allocation subject to risk parameters within the Investment Policy. Investment Managers must be a bank, insurance company, investment management company, or investment advisor as defined by the Registered Investment Advisors Act of 1940. Investment Managers must have no outstanding legal judgments or past judgments which may reflect negatively upon the firm. Each Investment Manager shall have full discretion to make all investment decisions for portfolio assets under its jurisdiction, within the college's investment objectives, policies, and guidelines as set forth in the Investment Policy within the framework of the following principles:

- The exercise of a high degree of professional care, skill, prudence and diligence in the management of assets under their direction;
- Thorough professional analysis and judgment with respect to all investment held in their care;
- Diversification of securities by issuer, sector, geography and type;
- Full compliance with all provision of any and all relative governing bodies;
- Timely, accurate, transparent report of performance result in the prescribed format.

V. Investment Objectives

A. Investment Pools

The college will maintain a liquidity pool and long term investment pool. Approximately 20% (range of 15% - 25%) of the average annual cash and investment value will be invested in the long term pool. In determining the funds available for long term investment, staff will consider the previous year's average monthly cash balances and cash flow needs for the upcoming year.

Liquidity pool

Sufficient liquidity must be maintained to ensure that all budgeted, outstanding operational cash requirements are met. The liquidity pool will be invested with the Colorado State Treasurer until such time that the Board of Trustees adopts a different strategy.

Long term pool

The investments in the Long Term Pool should be based upon an investment horizon of

greater than five years, so that interim fluctuations should be viewed with appropriate perspective.

B. Liquidity pool

- To preserve principle over the full investment cycle
- To provide liquidity on demand

C. Long term pool

- - - Achieve growth of principle and income to preserve and increase the purchasing power of the assets and protect the assets against inflation
 - Provide sufficient liquidity to meet the Fund's rebalancing requirements and market opportunities/challenges
 - To earn an average annual real return, after expenses of at least CPI plus 2% per year over full economic market cycles

VI. Risk Tolerance

The relationship between risk and expected return is a fundamental investment concept. The assumption of some risk is warranted and encouraged so that the Investment Manager(s) have the opportunity to achieve satisfactory long term results consistent with the objectives of the Fund. The college chooses a variety of strategies to manage the risk. These include, but are not limited to:

- The selection of individual asset classes
- The overall portfolio asset allocation
- Industry and organization diversification
- International diversification

VII. Policy Allocation and Rebalancing and Benchmarks

A. Asset Allocation

The target asset allocation reflects the long-term risk and return objective of the Fund. Within each asset class, the range between the minimum and maximum weight allows for tactical shifts among asset classes in response to the changing dynamics in the market.

Asset Class	Target	Range	Benchmark
US Equity	39%	24% - 49%	Russell 3000

International Equity	21%	6% - 31%	MSCI ACWI ex-US Index
Fixed Income	40%	25% - 55%	Barclays US Aggregate Bond Index
Other Fixed Income	0%	0% - 10%	¹
Other Equity	0%	10% - 10%	¹
Overall Portfolio			39% Russell 3000 Index 21% MSCI ACWI ex-US Index 40% Barclays US Aggregate Bond Index

¹ - Investment Manager will provide appropriate benchmarks before using these categories. The total of the “Other Categories” should not exceed 15%.

The overall portfolio will be evaluated on the benchmarks established above. Various benchmarks will be used for the different investment subcategories.

B. Rebalancing

The purpose of rebalancing is to maintain the Fund’s policy asset allocation within the targeted ranges, thereby ensuring that the Fund does not incur additional risks as a result of having deviated from the policy portfolio. Rebalancing will take place on a portfolio basis to reduce expenses as far as practicable. The Investment Advisory Committee will monitor asset allocation within the established allowable ranges on a quarterly basis.

VIII. Performance Evaluation

The Investment Advisory Committee intends to maintain open communication with the investment manager(s), if engaged. The focus of these exchanges shall be on understanding the manager's expectations for the economy and capital markets and how these are reflected in the Fund. A necessary part of the communication process is the evaluation of the progress of the Fund and to this end, investment results shall be reviewed quarterly.

The performance of the Fund, net of management fees and transaction costs, shall be evaluated relative to, and is expected to be at least equal to, the appropriate benchmark indices noted for each asset class. However, it is not anticipated that comparisons with market indices and peer groups shall be favorable in every single quarter or year. It is expected that they will be favorable over any rolling three-year cycle. Analysis of performance shall always be within the context of the prevailing investment environment and the investment manager's particular investment style.

External investment managers or advisors shall be expected to meet with the college's administration periodically to review the investment outlook, structure of their portfolios, and past results.

IX. Spending Policy

The previous fiscal year natural earnings, defined as interest and dividends less management fees, of the Long Term Pool may be liquidated to support strategic plan goals.

X. Conflict of Interest

All persons responsible for investment decisions or who are involved in the management of the Fund or who are consulting to, or providing any advice whatsoever, to the Investment Advisory Committee shall disclose in writing at the beginning of any discussion or consideration by the Investment Advisory Committee, any relationships providing material benefit, which the person has or may reasonably be expected to have, with respect to any investment issue under consideration. The Board may require such persons to remove themselves from the decision-making process.

Any members of the Investment Advisory Committee responsible for investment decisions, or who are involved in the management of the Fund, must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties. Disclosures should include any compensations, consideration or benefit received from others for the recommendation of products or services. Failure to disclose any material benefit shall be grounds for immediate removal from the Investment Advisory Committee. This provision shall not preclude the payment of ordinary fees and expenses to the Fund's custodian(s), investment managers and consultant in the course of their services on behalf of the college.

XI. Policy Review

This statement shall be reviewed annually by the Investment Advisory Committee and any recommendations for changes presented to the Board of Trustees.

Appendix A Asset Classes, Strategies, Guidelines and Restrictions

Equity Securities

The purpose of equity investments, both domestic and international, is to provide capital appreciation, growth of income, and current income, with the recognition that this asset class carries with it the assumption of greater market volatility and increased risk of loss. This component includes domestic and international common stocks, American Depository Receipts (ADRs), preferred stocks, and convertible stocks traded on the world's stock exchanges or over-the-counter markets.

Public equity securities shall generally be restricted to high quality, readily marketable securities of corporations that are traded on the major stock exchanges, including NASDAQ. Decisions as to individual security selection, number of industries and holdings, current income levels and turnover are left to manager discretion, subject to the standards of fiduciary prudence.

Fixed Income Securities

The purpose of fixed income investments, both domestic and international, is to provide diversification and a predictable, dependable source of current income. The Investment Advisory Committee expects that fixed income investments will not be totally dedicated to the long-term bond market but will be flexibly allocated among maturities of different lengths according to interest rate prospects.

Fixed income instruments should reduce the overall volatility of the Fund's assets and provide a hedge against deflation. This component includes both the domestic fixed income market and the markets of the world's other developed economies. It includes but is not limited to:

- U.S. Treasury and government agency bonds;
- Foreign government and supranational debt;
- Public and private corporate debt;
- Mortgages and asset-backed securities;
- Non-investment grade debt.

Fixed income also includes money market instruments, including, but not limited to:

- Commercial paper;
- Certificates of deposit;
- Time deposits;
- Bankers' acceptances;
- Repurchase agreements;
- U.S. Treasury and agency obligations.

Investments in fixed income securities should be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums.

Cash and Cash Equivalents

The Investment Manager may invest in the highest quality commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the Fund's principal value. Un-invested cash reserves shall be kept to a minimum.

Alternatives

The following alternative strategies shall be permitted investments for the Fund, subject to the respective guidelines set forth in each section. Investments in alternative strategies shall not at

time of investment exceed 15 percent of the Fund's total market value, unless approved by the Committee.

Marketable Alternative Strategies - Investments may include (among other strategies) equity-oriented or market-neutral hedge funds (i.e. long/short, macro event driven, convertible arbitrage, and fixed income strategies), which can be both domestic and international market oriented. These components may be viewed as equity-like or fixed income-like strategies as defined by their structures and exposures.

Private Capital - Investment allocations may include venture capital, private equity and international private capital investments, typically held in the form of professionally managed pooled limited partnerships. Such investments must be made through funds offered by professional investment managers.

Energy & Natural Resources - Investments may include oil, gas, and timber investments, typically held in the form of professionally managed pooled limited partnerships, as well as commodity-based investments. All such investments must be made through funds offered by professional investment managers.

Private Equity Real Estate - Investments may include equity real estate, held in the form of professionally managed, income producing commercial and residential property. Such investments may be made only through professionally managed pooled real estate investment funds.

Distressed Debt - Investments may include the debt securities of companies undergoing bankruptcy or reorganization. Such investments may be made only through professionally managed funds.

Derivatives and Derivative Securities

Certain of the Fund's managers may be permitted under the terms of their specific investment guidelines to use derivative instruments. Derivatives are contracts or securities whose market value is related to the value of another security, index, or financial instrument. Investments in derivatives include (but are not limited to) futures, forwards, options, options on futures, warrants, and interest-only and principal-only strips. No derivative positions can be established that have the effect of creating portfolio characteristics outside of portfolio guidelines.

Examples of appropriate applications of derivative strategies include hedging market, interest rate, or currency risk, maintaining exposure to a desired asset class while making asset allocation changes, gaining exposure to an asset class when it is more cost-effective than the cash markets, and adjusting duration within a fixed income portfolio. Investment managers must ascertain and carefully monitor the creditworthiness of any third parties involved in derivative transactions. Each manager using derivatives shall (1) exhibit expertise and experience in utilizing such products; (2) demonstrate that such usage is strategically integral to their security selection, risk management, or investment processes; and (3) demonstrate acceptable internal controls regarding these investments.

Investment Restrictions

The Investment Advisory Committee may waive or modify any of the restrictions in these guidelines in appropriate circumstances, so long as the waiver or modification is consistent with the Board of Trustees' statutory investment authority. Any such waiver or modification shall be made only after a thorough review of the investment manager and investment strategy involved. An addendum supporting such waiver or modification shall be maintained as a permanent record of the Investment Advisory Committee. All such waivers and modifications shall be reported to the Board of Trustees at the meeting immediately following the granting of the waiver or modification.

Adherence to the restrictions in these guidelines shall be measured as of the time of initial investment. It is recognized that subsequent market action may result in the investment or strategy ceasing to adhere to these restrictions, through no fault of the Fort Lewis College staff or the respective outside manager. In such a situation, Fort Lewis College and the manager shall make reasonable attempts to bring the investment or strategy back within adherence to these restrictions, bearing in mind the long-term interests of Fort Lewis College and the Fund and the desirability of avoiding harmful forced sales of assets. Investments in mutual funds or commingled funds shall be reviewed and approved by the Investment Advisory Committee on a case-by-case basis and, if approved, may vary from this Statement. For each such mutual or commingled fund, the prospectus, offering memorandum or Declaration of Trust documents of the respective fund will govern the investment policies of the fund investments. While the Investment Advisory Committee understands that such funds have their own stated guidelines which cannot be changed for individual investors, those guidelines should be similar in principle and spirit to the guidelines stated herein. To the extent that a mutual or commingled fund departs from any or all of such guidelines, the Investment Advisory Committee shall make itself aware of the possible consequences and be confident that the Investment Manager thoroughly understands the risks being taken, has demonstrated expertise in such investment strategies and has guidelines in place for monitoring their risk-adjusted performance.

Appendix B

Environmental, Social, Governance (ESG) Statement

The Fort Lewis College Board of Trustees (Board) acknowledges their fiduciary duty includes the prudent and farsighted management of assets, which may extend to the integration of environmental, social, and governance (ESG) factors. ESG investing is the process of incorporating analyses of non-financial environmental, social, and governance factors into investment decisions alongside more traditional financial criteria. The Board has a desire to encourage investments to support sound ESG investing. While the portfolio may not be classified as an ESG portfolio, investments in entities that support community well-being through safe and environmentally sound practices and fair labor practices and equality of rights regardless of sex, race, age, disability, or sexual orientation is encouraged. The Board feels it is important to monitor sustainability criteria within the investment portfolio in order to ensure that all available data is fully incorporated to improve the risk/return profile of the portfolio and promote sustainable development and business practices. To the extent third party rating information is

available, the Investment Advisory Committee shall periodically review the ESG ratings of investments in the Fund and report to the Board annually.

Examples of ESG factors are provided in the table below:

Environmental	Social	Governance
Green Building/Smart Growth	Human Rights	Board Independence
Climate change / Carbon	Avoidance of tobacco or other harmful products	Anti-Corruption Policies
Clean Technology	Community Development	Board Diversity
Pollution / Toxics	Diversity & Anti-bias issues	Executive Compensation
Sustainable Natural Resources / Agriculture	Workplace Benefits & Safety	Corporate Political Contributions
Water Use & Conservation	Labor Relations	

Cross Referenced Policies/Statements

[Board of Trustees - Investment Policy Statement](#)

Revision History

The December 4, 2015 version of the Investment Policy was revised to reflect changes approved by the Board of Trustees on February 10, 2017. Changes include the addition of a Mission statement (section I.), a mandate (section IV. Roles and Responsibilities) that the Board of Trustees maintains certificates of stock to be made available for public inspection during normal business hours, modifications to asset classes, the addition of an overall portfolio evaluation benchmark statement, and more frequent tactical rebalancing as allowed on a quarterly basis.

Appendix B - Environmental, Social, Governance (ESG) Statement added December 2019