

**POLICY ON INVESTMENTS**  
John Jay College Foundation, Inc.

Date of Adoption: December 13, 2018

**SECTION 1. BACKGROUND AND PURPOSE**

This Policy on Investments (the “Policy”), adopted by the Board of Trustees (the “Board”) of the John Jay College Foundation, Inc. (the “Foundation”), sets forth the Foundation’s goals and objectives for the prudent management of its investments and guidelines for managing, supervising and monitoring those investments consistent with those goals and objectives. The Policy expresses the Board’s investment philosophy and is designed to ensure the creation and implementation of a sound, long-term investment strategy.

**SECTION 2. THE FOUNDATION’S MISSION AND PORTFOLIO**

The Foundation, which was established as a non-profit corporation under the laws of the State of New York, is governed by, among others, the New York Not-For-Profit Corporation Law (“the Act”), and is managed by the Board. The Internal Revenue Service has recognized the Foundation as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and classified it as a public charity.

The Foundation’s mission is to promote, sponsor, and carry out activities for the benefit of John Jay College of Criminal Justice (the “College”) as set forth in Article I of the Foundation’s By-Laws.

The Foundation uses investments to pursue its mission in two ways: (i) to maintain the purchasing power of the Foundation’s assets in perpetuity; and (ii) to achieve returns sufficient to sustain the level of spending necessary to support the Foundation’s ongoing operations.

The Foundation's investment portfolio (the "Portfolio") shall consist of: (a) funds intended for short-term operating and program expenses, such as unrestricted and temporarily restricted gifts/net assets (the "Operating & Program Fund"); and (b) reserve funds to support the Foundation's future operations, serve as a resource during economic downturns, and provide an additional source of support for the Foundation, such as permanently restricted gifts/net assets (the "Reserve Fund"). The Portfolio is designed to ensure long-term financial security to the Foundation and to provide a source of funding for the Foundation's activities, programs, and operating expenses.

### **SECTION 3. INVESTMENT OBJECTIVES**

The Foundation's investment objectives are to safeguard and preserve the purchasing power of the Portfolio while earning investment returns consistent with the Foundation's risk tolerance and sufficient to meet its operational requirements.

#### **Operating & Program Fund**

The Operating & Program Fund shall be invested with the objective of preserving assets to cover the Foundation's program and operating expenses and that allows for immediate liquidity to meet the Foundation's ongoing needs. Operating & Program Fund assets may be maintained in a checking account used for the Foundation's day-to-day operations and invested in cash-equivalents, such as savings accounts, money market accounts, certificates of deposit with maturities appropriate for expected needs, Treasury bills, and other liquid instruments.

#### **Reserve Fund**

The Reserve Fund shall be invested with the objective of preserving the long-term purchasing power of the Reserve Fund's assets while seeking an appropriate level of investment return. More specifically, the Foundation's investment objectives and constraints for the Reserve Fund include the following:

- **Preservation of Purchasing Power.** The Foundation aims to preserve the real purchasing power of its assets over time by seeking returns on its investments that are in excess of the spending rate (as described below) and the rate of inflation.
- **Long-Term Growth.** The Foundation seeks to achieve growth in its assets in excess of inflation by emphasizing long-term investment fundamentals in structuring its investments.
- **Time Horizon.** Although short-term investment results and trends will be monitored, the Foundation's investment objectives are long-term. As such, total return performance and the consistency of performance over time will be evaluated on a five-year rolling basis. The Foundation recognizes that not every five-year interval will meet its investment objectives, so it will measure long-term results over a series of five-year periods.
- **Risk Tolerance.** The Foundation seeks to control risk and reduce volatility in its Portfolio through diversification. The Foundation recognizes, however, that securities markets are subject to short-term volatility and will evaluate the volatility in its Portfolio relative to the volatility of similar portfolios (such as the

benchmarks described below). The Foundation acknowledges that risks must be assumed to achieve its long-term investment objectives. In establishing risk tolerance, an Investment Committee of the Board will evaluate and monitor the Foundation's ability to withstand short- and immediate-term variability in its Portfolio.

- Liquidity Requirements. The Foundation seeks to maintain adequate liquidity to meet its needs. The Investment Committee will inform the Investment Manager of the Foundation's anticipated liquidity needs as those needs become known.

The Board has delegated to the Investment Committee responsibility for managing the Portfolio and implementing the Investment Policy, and has authorized the Committee to retain the services of professional investment managers and to rely on Foundation staff and volunteers, as set forth below.

### **Investment Committee**

The Investment Committee is responsible for:

- Recommending, reviewing and proposing this Policy and its appendices from time to time, to the Board.
- Setting the Portfolio's asset allocation targets and ranges, and modifying them when necessary to achieve the investment objectives.
- Implementing this Policy, with input from Foundation staff.
- Overseeing management of the Portfolio's assets and reporting its performance to the Board no less than four times per year.
- Engaging investment managers to assist in carrying out the Investment Committee's responsibilities and to manage the Foundation's assets consistent with its investment strategy and the directions of the Investment Committee.
- Monitoring the performance of investment managers.
- Engaging, continuing or terminating the bank custodian and monitoring its performance.
- Monitoring the fees and expenses associated with management and administration of the Portfolio.
- Selecting, continuing, or terminating investment managers based on, among other criteria, investment philosophy, historical performance, personnel experience, and financial viability. In selecting investment managers, the Investment Committee will take reasonable measures to determine whether the managers are independent and free from conflicts of interest.

### **Investment Managers**

The investment managers are responsible for:

- Monitoring the investment environment and regularly communicating with the Investment Committee factors that may affect the Portfolio.

- Monitoring, analyzing and rebalancing the Portfolio.
- Preparing quarterly investment reports sufficient for the Investment Committee to carry out its responsibilities.
- Attending meetings in person or by telephone conference with the Investment Committee and the Foundation's staff.
- Providing necessary information to and cooperating with the Investment Committee, Foundation staff, and the Foundation's external auditors.
- Providing feedback to the Investment Committee on amendments proposed to this Policy and conforming account documents to reflect revisions the Policy.
- Adhering to the Board's investment strategy.
- Acting in accordance with the standard of care applicable to the management of the Foundation's assets.
- Complying with investment restrictions set forth in this Policy and as directed by the Investment Committee.
- Preparing quarterly written statements, including a summary of the actions taken with respect to the Manager's Portfolio and, upon request, a report of the manner in which each proxy was voted during the preceding period.
- When authorized by the Investment Committee, voting proxies for the Foundation's securities in a manner that reflects the Foundation's best interests.
- Promptly reporting to Investment Committee and Executive Director of the Foundation material changes, including changes in the manager's firm, senior management or high-level personnel; changes in the manager's control of the firm; and changes in the manager's investment strategy, philosophy or approach.
- Promptly reporting to the Investment Committee and Executive Director of the Foundation material violations of this Policy.
- Promptly reporting to the Investment Committee and Executive Director of the Foundation material adverse determinations against the firm or its principals by a court or regulatory authority.

### **Foundation Staff and Volunteers**

Foundation staff and volunteers may, at the direction of the Investment Committee, assist the Investment Committee in implementing this Policy and coordinating with any professionals retained to assist the Committee and to manage its Portfolio.

#### **SECTION 4. RESTRICTIONS ON INVESTMENTS**

- All purchases of securities must be for cash and there will be only limited short-term leveraged purchasing except for pooled investment vehicles.
- No short sales.
- No investment in hedge funds or private equity funds will be made.
- Except for investments in U.S. Treasuries and U.S. Government agencies, issuer concentration shall not exceed 7% within an investment portfolio.
- Investments that may generate unrelated business taxable income (UBTI) requires the Investment Committee's prior approval.

## **SECTION 5. GUIDELINES ON PRUDENT INVESTING**

### **(a) Standard of Care**

Foundation assets will be managed to ensure that investments comply with applicable local, state, and federal laws and regulations. Each manager of Foundation assets will manage and invest them in good faith and with the care, skill, and diligence that a prudent person in a like position, taking into consideration the Foundation's purpose and investment goals, would exercise under similar circumstances.

The Foundation will incur only those costs that are appropriate and reasonable in relation to the Portfolio, the purposes of the Foundation, and the skills available to the Foundation. The Foundation will use reasonable efforts to verify facts relevant to the management and investment of the Portfolio.

### **(b) Prudence Considerations**

In managing and investing the Portfolio, the following factors, when relevant, will be considered:

- general economic conditions;
- the possible effect of inflation or deflation;
- the expected tax consequences, if any, of investment decisions or strategies;
- the role that each investment or course of action plays within the overall Portfolio;
- the expected total return from income and the appreciation of investments;
- other resources of the Foundation;
- the needs of the Foundation and of particular funds in the Portfolio to make distributions and to preserve capital; and
- an asset's special relationship or special value, if any, to the purpose of the Foundation
- the requirement of diversification;
- liquidity considerations;
- the impact of management or administration costs; and
- risk management.

Management and investment decisions about individual assets will be made in the context of the Portfolio as a whole and take into consideration the Foundation's overall investment strategy.

## **SECTION 6. SPENDING POLICY**

To achieve its long-term investment objectives, the Foundation's expenditures should not exceed the Reserve Fund's total inflation-adjusted return on investments. The Foundation will limit spending from the Reserve Fund to meet its objective of achieving long-term real growth of the Reserve Fund's assets.

## **SECTION 7. ASSET ALLOCATION**

The Investment Committee will establish in writing asset allocations for the Operating & Program Fund and the Reserve Fund, including minimum and maximum allocations for each asset class permitted in those funds. On the recommendation of investment managers, the Investment Committee may modify asset allocations.

The Investment Committee will seek to achieve a diversified Portfolio, unless it prudently determines that, because of special circumstances, the Portfolio or a particular fund or funds within the Portfolio are better served without diversification.

## **SECTION 8. REBALANCING AND CASH FLOWS**

The Foundation's Portfolio may be rebalanced when and if necessary (e.g., large market moves), and not detrimental to the Foundation's long-term investment objectives.

The Investment Committee will determine the allocation of cash flows, including additional contributions to the Foundation's assets. The Foundation's net cash flows may be used to implement rebalancing activities to minimize transaction costs.

## **SECTION 9. PERFORMANCE BENCHMARKS**

The Investment Committee will use benchmarks that take into consideration the Foundation's long-term return objectives and risk tolerance to measure and evaluate the performance of investment managers. The Investment Committee recognizes that the performance benchmarks listed in Exhibit B below are intended as goals and not as guarantees or assurances of performance.

## **SECTION 10. REPORTING AND OVERSIGHT**

The Investment Committee will meet no less than semiannually to review investment manager reports and to evaluate Portfolio performance and the managers' adherence to this Policy. The Investment Committee will report to Board no less than semi-annually on the Foundation's investment performance, distributions and cash flows.

## **SECTION 11. SOCIALLY RESPONSIBLE INVESTING**

The Foundation seeks investments that align with its mission, and to avoid investments that do not adhere to responsible environmental, social, and governance (ESG”) practices.

The Foundation recognizes that certain ESG factors are part of a comprehensive investment evaluation process and can have a material effect on financial returns. To this end, the Foundation seeks investment managers that actively incorporate such ESG factors into their investment decision making.

EXHIBIT A

Reserve Fund Asset  
Allocation

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Benchmark</u>
Investment Grade Fixed Income	30%	20%	40%	Bloomberg Barclays Aggregate
Non-US Equity	35%	25%	45%	ACWI ex-US
Domestic Equities	<u>35%</u>	25%	45%	Russell 3000
	<u>100%</u>			