



Statement of Investments & Spending Policy Objectives and Guidelines

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Table of Contents

I.	Definitions and Organizational Structure	2
II.	General Information and Goals	3
III.	Policy Statement, Principles and Review	4
IV.	Roles and Responsibilities	5
V.	Delegation of Authority, Selection and Evaluation Criteria of Investment Professionals	6
VI.	Investment Manager(s) Responsibilities, Fund Performance Expectations, Asset Allocation, Diversification, and Rebalancing Guidelines Review	7
VII.	Spending Policy and Guidelines	9
VIII.	Policy Statement Approval	10

I. Definitions

- “**Custodian**” shall refer to a designated bank or other financial institution that keeps custody of the fund’s assets
- “**Fund**” shall mean the South Puget Sound Community College Foundation Managed Investments (endowment funds, temporarily restricted funds and the unrestricted general fund)
- “**Finance Committee**” shall refer to the governing body established by the Board to administer the fund
- “**Fiduciary**” shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management disposition or administration of the fund assets
- “**Investment Horizon**” shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met
- “**Investment Manager**” shall mean any individual or group of individuals, employed by the Foundation to manage all or part of the investments of the unrestricted, temporarily restricted and permanently restricted funds, including but not limited to advice on investment objectives and/or asset allocation, investment selection and management, and performance monitoring
- “**Securities**” shall refer to the marketable investment securities that are defined as acceptable in this investment policy statement
- “**Spending Policy**” shall refer to the target spending rate the fund will look to achieve over a set period of fiscal years
- “**Sub-Advisor**” shall refer to a specialized firm or team hired by the investment manager to manage a specific portion or aspect of the Foundation’s portfolio

Organizational Structure



II. General Information and Goals

GENERAL INFORMATION

The following South Puget Sound Community College Foundation (Foundation) managed investments are established to accept gifts from individuals, families, estates, businesses and others that desire to support the Foundation:

- The permanently restricted endowment are funds to remain in perpetuity and to provide ongoing support to the Foundation's mission.
- The temporarily restricted funds are to remain invested for the donor-required period and to provide support to the Foundation's mission.
- The "general" fund are unrestricted funds that provide support to the Foundation's mission.

GOALS AND OBJECTIVES

The Fund investments strategy includes an approach that balances three different goals:

- Preservation of Purchasing Power – to achieve returns of at least the rate of inflation over the investment horizon in order to preserve capital;
- Income – to achieve a relatively predictable stream of cash payments in order to help maintain the spending policy;
- Growth – to achieve long-term returns that increase the value of the portfolio in order to keep pace with inflation and support future obligations

In order to meet these needs, the investments strategy of the Fund is to emphasize *total return*: investment assets that are allocated to a combination of growth-oriented and cash flow-producing investments.

The objectives of the investments strategy of the Fund shall be to:

- Preservation of Purchasing Power – to achieve returns of at least the rate of inflation over the investment horizon in order to preserve purchasing power of fund assets.
- Risk Control – to protect the Fund assets from an abundance of risks attributable to changes in the market, the economy, and interest rates achieved primarily through broad strategic diversification.

III. Policy Statement, Principles and Review

POLICY STATEMENT

The purpose of this statement is to outline a philosophy that will guide the Investment Manager of the assets towards desired results.

This statement of investment policy is set forth by the Foundation in order to:

1. Define and assign responsibilities of all parties involved and establish a clear understanding for all involved parties of the investment goals and objectives of the Fund's assets.
2. Offer guidance to the Investment Manager regarding the investment of the Fund's assets.
3. Establish a basis for evaluating investment results.
4. Manage the Fund assets according to prudent standards as by the statutes of the Uniform Prudent Management of Institutional Funds Act.

GENERAL PRINCIPLES

1. Investments shall be made solely in the interest of the Fund.
2. The Fund shall be invested with the same care that a prudent investor, acting in a like capacity and familiar with such matters, would use in the investment of a fund of like character and with like aims.
3. Investment of the Fund shall be so diversified as to manage various risks.
4. The Finance Committee may employ an Investment Manager to achieve or exceed the Fund's objectives.

5. Cash is to be employed by investment in short-term cash equivalents such as a money market accounts, certificates of deposit or other instruments, and is to provide safety, liquidity and a modest return.

POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital market expectations as established in this policy, the Finance Committee shall review the policy at a minimum of five years and promptly inform the Investment Manager of any revisions thereto.

IV. Roles and Responsibilities

ASSIGNMENT OF RESPONSIBILITY

South Puget Sound Community College Foundation Finance Committee

The Finance Committee composed of Board and staff members assigned in accordance with Foundation's by-laws, is responsible for implementation of the Investment Policy, as established and as amended by the Board of Directors.

The Finance Committee shall discharge its duties solely in the interest of the Fund, with the same care, that a prudent investor, acting in a like capacity, would use in the conduct of an enterprise of a like character with like aims.

Specific responsibilities include:

1. Projecting the Fund's financial needs and communicating such needs to the Investment Manager.
2. Determining the Fund's risk tolerance, investment horizon, and associated return expectations.
3. Establishing reasonable and consistent investment objectives, policies and guidelines for Board approval.
4. Sourcing, interviewing and recommending to the Board for approval the selection and/or change of the Investment Manager.
5. Evaluating the performance of the Investment Manager to assure adherence to policy guidelines and monitor investment objective progress.
6. Developing and enacting proper control procedures (e.g. replacing Investment Manager due to fundamental change in investment management process or failure to comply with established guidelines).
7. Instructing Investment Manager to invest in appropriate vehicles as defined in this policy.

Investment Manager

The role of the Investment Manager is to implement a disciplined investment process that diversifies sources of investment risk and positions the portfolio to achieve the Fund's portfolio objectives. The Investment Manager has discretionary authority for the management of the portfolio and, therefore, joins with the South Puget Sound Community College Foundation Board in fiduciary responsibility.

Specific responsibilities include:

- Collaborating with the Finance Committee in defining the Fund's strategic objectives and an appropriate asset allocation based on the goals, objectives, and constraints of the Fund.
- Designing, constructing, and managing the investment portfolio based on the direction and strategic objectives determined by the Finance Committee.
- Rebalancing the portfolio to meet investment objectives based on the appropriate asset allocation of the Fund.
- Communicating all pending and actual changes of investments, strategy, and the like to the Finance Committee.
- Reporting investment performance to the Finance Committee as compared to the long-term objectives and relevant portfolio benchmarks mutually agreed upon.
- Reviewing Fund investment history, historical capital markets performance and the contents of this Investment Policy statement with any newly appointed members of the Finance Committee.

V. Delegation of Authority, Selection and Evaluation Criteria

DELEGATION OF AUTHORITY

The Finance Committee and Board of Directors of the Foundation are fiduciaries and are responsible for directing and monitoring the investment management of Fund assets. The Finance Committee is authorized to delegate certain responsibilities to professional experts in various fields. These delegations include, but are not limited to:

1. Investment Manager –The Investment Manager will assist in the selection of investments, conduct ongoing due diligence on each custodian and portfolio composition, measure and evaluate investment performance and other tasks as deemed appropriate by the Finance Committee. The Investment Manager has discretion to purchase, sell or hold specific securities that will be used to meet the Fund's investment objectives.
2. Fund Custodian - The Custodian will maintain possession of securities owned by the Fund, collect dividend and interest payments, and redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian will also perform regular accounting of all assets owned, purchased or sold, as well as movement of assets into and out of Fund accounts.

Such experts employed are deemed to be fiduciaries and they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Fund as deemed appropriate and necessary.

VI. Investment Manager(s) Responsibilities, Fund Performance Expectations, Guidelines and Review

INVESTMENT MANAGEMENT POLICY

1. Preservation of Capital—Consistent with respective investment styles and philosophies, the Investment Manager should take every reasonable effort to preserve the Fund's capital with an emphasis on a long-term investment horizon, understanding that losses may occur in individual asset classes and securities.
2. Risk Aversion—For the purpose of this Investment Policy, risk is benchmarked by volatility of returns. Other risks include but are not limited to the potential for principal loss, short-term price volatility, liquidity risk, the loss of purchasing power due to inflation, event risk (such as unforeseen changes in the tax code and/or legal regulations), and exchange rate risk.
3. Adherence to Investment Discipline — the Investment Manager will regularly evaluate all sub-advisors for competence, communication, reporting capability and performance.

SPECIFIC RESPONSIBILITIES

1. Managing discretionary investment, including decisions to buy, sell or hold individual securities and to alter asset allocations within the guidelines established in this statement.
2. Reporting quarterly investment performance results to the Finance Committee on a timely basis.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors that affect implementation of the investment process or objective of the Fund's investment management.
4. Voting proxies on behalf of the Fund.

CAPITAL MARKET EXPECTATIONS

The Investment Manager(s) will provide a Portfolio design tool which lays out the expected rate of return, variability of returns, yield and liquidity based on the agreed upon target allocation. The projections should be based on historical data as well as thoughtful projections based on current valuations and market fundamentals.

SPECIFIC INVESTMENT GOALS

Over the investment horizon established in this statement, it is the goal of the aggregate Fund assets to meet or exceed the rate of inflation as measured by the Consumer Price Index. The return of the investment should be compared to a passive index allocation consistent with the Fund's overall stock/bond equivalent profile.

For purposes of evaluating if these objectives are being met, the performance of the Fund as a whole will be measured over a complete market cycle that is expected to be over a five- to ten-year period.

VII. Spending Policy and Guidelines

SPENDING POLICY

It is the policy of the Foundation to provide maximum benefits to the students, as designated by the donor, consistent with the objective of preserving and enhancing Foundation assets.

The distribution policy for endowment and unrestricted funds will be based on the guidelines described below. This Spending Policy may be amended at any time deemed necessary by the Foundation's Board of Directors.

GUIDELINES

Permanently restricted funds – the following guidelines will apply in establishing permanently restricted endowment funds, unless waived by action of the Foundation's Board of Directors:

- As of December 31, 2013, the minimum amount on accounts established for purposes of endowment will be \$25,000.
- Endowments can take up to 5 years to be established by donor.
- Permanently restricted funds will be invested upon receipt and new endowments will require at least 3 years to reach maturity before earnings are accessed.

Temporarily restricted funds – earnings on endowments are temporarily restricted funds and will remain invested for the period defined in each endowment's establishment document. It is the responsibility of the Finance Committee to determine how much of the income will be used each year and how much will be reinvested into the fund. The current earnings spending policy is as follows:

- Up to five percent (5%) of the three (3) year average of each individual endowment account's market value. Market value will be based on the prior calendar year's market value.

Unrestricted funds – use of the "general" unrestricted invested funds are used to support the Foundation's mission. The current spending policy is as follows:

- Distributions of the unrestricted general fund will be determined on an annual or more frequent basis by the Foundation Board of Directors.

VIII. Investment and Spending Policy Statement Approval

This Investment and Spending Policy Statement accurately reflects the Foundation's current investment goals and objectives, risk tolerance and constraints relevant to achieving its objectives. If the facts or circumstances described in this document change, the Finance Committee will promptly inform the Investment Manager. The Board understands and expects that this Statement will be periodically reviewed and revised as needed.

REVIEWED, APPROVED AND SIGNED:

Title	Signature	Date
Board President, SPSCC Foundation		
Vice President for Advancement, SPSCC		
Treasurer, SPSCC Foundation		