MAINE COMMUNITY COLLEGE SYSTEM

FINANCIAL AFFAIRS
Section 706

SUBJECT: INVESTMENTS
PURPOSE: To establish certain uniform investment and management standards for the Maine Community College System

A. Introduction

The Maine Community College System is committed to investing and managing its institutional funds consistent with the intent of a donor expressed in a gift instrument, the statutory purposes of the MCCS, and provisions of pertinent law. MCCS is also committed to accessing expert skills and advice in order to maximize MCCS’ opportunities for return by the most cost-efficient and reliable means available.

B. Compliance with Law

MCCS hereby adopts the standards of the Uniform Prudent Management of Institutional Funds Act, 13 MRSA §1501 et seq. (“UPMIFA”), in governing, for example, MCCS’ investment, management, appropriation, accumulation, expenditure, pooling, delegation, tracking, monitoring, reporting, and compliance with donor restrictions.

C. Authority and Objectives

1. Cash and Short-Term

   a) Authority

   The MCCS president shall have the authority to establish and maintain short-term investments. The Board of Trustees through its committees on finance and investments shall guide such investments, and the MCCS shall act consistently with such guidance.

   b) Guiding Principles

   The primary objective of investments made by the MCCS shall be to provide a high level of current income to support the strategic opportunities as identified by the Board from time to time. Idle cash shall be invested in a manner that provides full and immediate liquidity, while short-term investments shall focus on the provision of income and the secondary objective of growth. Short-term investment funds shall be managed with prudent care and concern for principal preservation, and shall have adequate liquidity to provide for necessary operating cash. The Board of Trustees, through its committees on finance and investments, shall periodically review a summary of all investments of such operating funds.
c) Review

The Board of Trustees through its committees on finance and investments shall annually review the performance of short-term investments.

2. Long-Term: Trusts and Endowments

a) Authority

The MCCS president shall have the authority to establish and maintain long-term investments. The Board of Trustees through its committees on finance and investments shall guide such investments, and the MCCS shall act consistently with such guidance.

d) Guiding Principles

Endowments shall be managed for a total return consistent with prudent care; shall not assume any undue investment risks; and shall use acceptable spending rate guidelines over a normal market cycle. To assist in the long-term growth of both income and principal, a responsible and balanced asset allocation of income and growth funds shall be used. All endowment funds shall be managed on a pooled basis unless otherwise restricted.

e) Review

The Board of Trustees through its committees on finance and investments shall annually review the performance of endowment funds and the funds’ external managers.

D. Delegation of Certain Authority and Responsibilities

MCCS recognizes its authority under 13 MRSA §1505 to delegate certain investment and management responsibilities provided MCCS acts in good faith with the care that ordinarily prudent persons in a like position would exercise under similar circumstances. Pursuant to that authority, and after due consideration of the most beneficial and efficient options, MCCS may delegate to qualified agents (“Agents”) the authority to invest and manage MCCS’ institutional funds set forth in Section D(1) below.

1. Terms, Conditions and Limitations of Delegation

MCCS may delegate the authority identified above provided the Agents:

a) Exercise reasonable care to comply with the scope and terms of their delegation;
b) Invest and manage the funds in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances;

c) Use any special skills or expertise in investing and managing MCCS’ institutional funds;

d) Comply with UPMIFA and other pertinent laws; and

e) Act consistently with the:

(1) Donor intent as expressed in any gift instrument;

(2) Statutory purposes of the MCCS;

(3) Provisions of this policy and related MCCS financial procedures; and

(4) MCCS’ reasonable request for periodic and other performance reports.

2. Review and Monitoring

The MCCS Board of Trustees, on its own and/or through one or more of its committees, shall monitor and periodically review the Agents’ performance and compliance with their delegated authority and responsibility.

E. Investments and Social Issues

Generally speaking, the MCCS Board of Trustees does not take positions on social, political, or moral issues that do not have a measurable and meaningful practical effect on the statutory mission, focus and operations of MCCS. For primarily two reasons, this limitation applies to the Trustees’ investment practices.

First, the primary objective of MCCS investments has to be to maximize the total long-term return within an acceptable level of risk. Second, use of the investment process to attempt to advance certain social objectives on various issues presents many challenges. For example, it is not always clear what the specific objective is; whether there is in fact broad or clear agreement that the objective is desirable; what the best action is that MCCS should take or not take; whether, as a practical matter, the objective is meaningfully achievable through an MCCS investment action, or a mere token statement with no tangible effect. Through inquiry, analysis, and engagement with our investment managers, MCCS will monitor investment management against a broad set of criteria that focuses on investment returns and consistency with MCCS’s values.
If the Board is requested to adjust its investment practices because of a social, political or oral issue, the Trustees will apply the process and standards set forth in Financial Procedure 206.

REFERENCES: 20-A M.R.S.A. §12706(7) and (8), 12709(8); 13 MRSA §1501 et seq.; and MCCS Policy 109

DATE ADOPTED: June 24, 2009

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