

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 MCCA, and provisions of pertinent law. MCCA is also committed to accessing expert skills and advice in order to maximize MCCA's opportunities for return by the most cost-efficient and reliable means available.

B. Compliance with Law

MCCA hereby adopts the standards of the Uniform Prudent Management of Institutional Funds Act, 13 MRS §1501 et seq. ("UPMIFA"), in governing, for example, MCCA's 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 MCCA 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 MCCA shall act consistently with such guidance.

b) Guiding Principles

The primary objective of investments made by the MCCA 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 M CCS 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 M CCS 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

M CCS recognizes its authority under *13 MRSA §1505* to delegate certain investment and management responsibilities provided M CCS 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, M CCS may delegate to qualified agents ("Agents") the authority to invest and manage M CCS' institutional funds set forth in *Section D(1)* below.

1. Terms, Conditions and Limitations of Delegation

M CCS 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 MCCA's 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 MCCA;
 - (3) Provisions of this policy and related MCCA financial procedures; and
 - (4) MCCA's reasonable request for periodic and other performance reports.

2. Review and Monitoring

The MCCA 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 MCCA 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 MCCA. For primarily two reasons, this limitation applies to the Trustees' investment practices.

First, the primary objective of MCCA 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 MCCA should take or not take; whether, as a practical matter, the objective is meaningfully achievable through an MCCA investment action, or a mere token statement with no tangible effect. Through inquiry, analysis, and engagement with our investment managers, MCCA will monitor investment management against a broad set of criteria that focuses on investment returns and consistency with MCCA'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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