

Northern Marianas College
Board of Regents Policy

SUBJECT:	Finance & Procurement	EFFECTIVE:	September 27, 2013
SECTION:	7007	POLICY NAME:	Investment Objectives
ACCJC Standard/Policy:	Standard 3D		

To provide equal benefits in perpetuity to present and future generations, an endowment must be invested by the College to maintain the real (inflation-adjusted) value of principal over time, and to maintain a constant stream of real income for on-going operations.

The College's endowment funds are grouped into four major categories, the largest of which is the *Consolidated Endowment Fund*. This fund contains contributions pooled for investment purposes, but accounts are created in the fund according to donor designations. Income is distributed to accounts on a share basis similar to that of a mutual fund. The Consolidated Fund should earn a return through both principal appreciation and income. Accordingly, the primary investment objective is to achieve an average annual total return equal to the rate of inflation, as measured by the Consumer Price Index, plus the average level of spending of investment income to support institutional programs. Spending is targeted to grow on a per-share basis at a rate of at least 4 percent annually. Income spending levels are at a minimum to preserve the endowment's future purchasing power. These objectives are evaluated over a full-market cycle, spanning both an up and a down period.

The Board of Regents believes that the best way to meet investment objectives is to commit some 75 percent of the total market value of the Consolidated Fund to equity investments. Though equity returns may fluctuate in any given period, the Board has a long-term orientation and currently believes that potential principal appreciation and yield from equities are more beneficial than those available from fixed-income instruments.

The *Eminent Scholars Funds* is also a pooled endowment, the income from which is used to provide salary supplements above base-state salaries to distinguished scholars holding endowed professorships. The principal investment objective is to emphasize income return rather than total return. The goals are to meet spending requirements of 6 to 7 percent of the market value of the fund. A secondary objective is to provide growth in income over time equal to one-half the annual rate of inflation as measured by the Higher Education Price Index, or similar index.

The third investment group represents *Funds Administered by the Institution Separate From the Pooled Accounts*. When appropriate, these funds are transferred into pooled accounts where they can be managed by investment counsel in accordance with donor designations.

The fourth group represents *Funds Held by Trustees of Affiliated Foundations* for which the institution is the income beneficiary. Income from trustee-held funds is applied to the specific education programs designate in the terms of the trusts. Such income is recorded

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as endowment income if received under the terms of irrevocable trusts, or as gift income if received under the terms of revocable trusts. In addition, certain endowments are held by affiliated foundations which exist for the benefit of the College. Distributions from these endowments are treated as unrestricted or restricted gift income at the time of receipt.

HISTORY:

Adopted: January 31, 1996

Amended: September 27, 2013