Re: Investments

Policy

The University shall apply sound and prudent judgment in the management of assets. The fiduciary responsibility of the University requires maximum protection of principal, minimization of risk, and reasonable return on investments.

Background

Investments are intended to preserve the inflation-adjusted value of the fund and to provide for the safety of principal. Investments shall provide a competitive return that is sufficient for current expenditures as well as principal growth. Investments shall be diversified as to minimize the risk of losses.
Re: Investment Strategy

Standard

Preservation of Capital: to minimize the probability of loss of principal over the investment horizon of the portfolio relative to the market

Long-Term Growth of Capital: to seek long-term growth of principal

Preservation of Purchasing Power: to seek return in excess of the rate of inflation over the long-term investment horizon of the portfolio relative to the market
Re: Return Objectives and Risk Parameters

Standard

The University has adopted investment and prudent spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. This policy shall provide for safety of principal through diversification in a portfolio of common stocks, bonds, mutual funds, cash equivalents and other investments, including international equities and alternative investments, which may reflect varying rates of return. The overall rate of return objective for the portfolio (net of fees) is the CPI (Consumer Price Index) plus 6%, subject to a review of the risk levels by the Board of Trustees. This is consistent with the University’s objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

The investment shall also be diversified within assets classes. Moreover, the equity segment will be allocated to managers, institutions or funds that have distinct and different investment styles. This policy assumes that portfolio diversification and equity style diversification provide protection against a single security or class of securities having a disproportionate impact on aggregate performance.
Re: Authority

Standard

The Chief Financial Officer (CFO) is authorized to invest University funds in investments consistent with the directives of the Board of Trustees.

Background

There are long-term investments and short-term investments. Short-term investments result from funds on hand exceeding those required for immediate operational purposes. Funds are invested daily, or as necessary, through the University financial institutions in short-term instruments, such as certificates of deposits, commercial paper, repurchase agreements, and other, low risk instruments. Longer-term investments are held in those low risk instruments that yield higher returns. Authorized investments include fixed income securities, cash equivalents, equity securities, and pooled funds.

Procedure

1. Assistant Controller or designee recommends investments to Controller.
2. Controller or designee approves, recommends to CFO, and CFO approves investments.
3. Investments are reported to the Finance Committee of the Board.
4. The Finance Committee of the Board approves investment institutions and investment managers.

Responsibilities

1. Chief Financial Officer approves investments.
2. Finance Committee of the Board oversees all investment activity.

References

Board of Trustees
Standard

Finance: Investments  Effective Date: August 13, 2010
Previous Date: April 1, 2010

Re: Asset Allocations

Standard

Investments shall be balanced to enhance the return on investments while avoiding undue risks.

Background

Investments should be diversified within both equity and fixed income securities. The market is subject to dramatic short-term changes, both positive and negative. However, long-term returns on market securities, as a whole, will always exceed the return on fixed-income securities. The allocation of assets should enhance the total return on investments and avoid risk as much as reasonably possible. Concentration in any single asset class or investment category for a significant amount of time is not recommended.

Allocation Ranges:  Equities/Alternatives/Other  0 to 50%
                    Fixed Income              0 to 100%
                    Pooled Funds              0 to 100%

Procedure

1. Funds are invested within the approved allocation ranges.
2. Chief Financial Officer reviews and approves investments.
3. Chief Financial Officer reports results to the Finance Committee of the Board annually, and as requested.

Responsibilities

1. Chief Financial Officer approves investments.
2. Finance Committee of the Board oversees all investment activity.

References

Board of Trustees
Re: Spending

Standard

The University shall invest funds to provide for investment asset growth, as well as to provide a current yield for the current fund. The current fund will comply with all regulations as specified by agreement. Donor shall have identified restricted or unrestricted, and conditions, as applicable.

Background

The University’s spending policy for endowment funds allows for the spending of up to 4.5% of the endowment principal invested. The rate and amount will be reviewed annually in coordination with the budget process.

Procedure

1. Cash Manager computes the investment returns. Controller or designee, verifies prior year returns.
2. Chief Financial Officer approves the returns and develops proposed spending for the current year.
3. Chief Financial Officer reports results, recommends, administers, current fund spending to the Finance Committee of the Board annually.

Responsibilities

1. Chief Financial Officer approves return allocations.
2. Finance Committee of the Board oversees all investment activity and spending.

References

Board of Trustees
Re: Endowment

Standard

Endowment funds shall be properly protected and invested by the University. Funds shall be separately accounted for, and the University shall comply with all rules and regulations as stipulated by the donor or funding source.

Background

Endowment funds are received from a donor with conditions or restrictions. Endowment can be either permanently restricted where the original balance can not be spent or temporarily restricted. Quasi-endowment funds are established by the University, or funding entity, to function similarly to an endowment, but may be expended with University/Funder approval. Endowment funds are pooled for investment purposes, but are accounted for separately. Endowment funds are segregated away from the general operating funds of the University.

Procedure

1. Finance will segregate endowment funds from other funds.
2. Chief Financial Officer will oversee disposition and investment of funds.
3. Finance will report endowment activity to the Finance Committee of the Board annually.

Responsibilities

1. Chief Financial Officer will approve fund investments.
2. Finance Committee of the Board will oversee all endowment activity.

References

Board of Trustees
Re: UCLA Investment Accounts

Standard

The University shall establish an investment account with the University of California at Los Angeles for endowment funds received from the Department of Health and Human Services and other funds, as appropriate.

Background

The University was awarded funds by the Department of Health and Human Services for an endowment to support research and educational advancement for health disparities. As part of the grant proposal, the funds were designated to be invested with the University of California at Los Angeles. The grant was awarded to the University starting 2001.

Procedure

1. Finance will monitor and report on investment results.
2. The President, or designee, will manage the available budget.
3. Finance will report activity to the Finance Committee of the Board.

Responsibilities

1. President or designee will manage the available funds.
2. Finance will monitor and allocate available funds.

References

Office of the President
Office of Sponsored Programs