

**Notice of Discussion Meeting**  
**Allan Hancock College Foundation Board of Directors**  
 Thursday, September 26, 2024  
 4:00 p.m. – 5:30 p.m.  
 Lompoc Valley Center  
 1 Hancock Drive, Lompoc, CA 93436

**AGENDA**

	Page	Time
1. Call to order		4:00 PM
2. Roll Call		
3. Public Comment <i>Public comment not pertaining to specific agenda items is welcome at this time. If you wish to speak to any item listed, please complete a Request to Speak Card available from the Executive Director. It is suggested that speakers limit themselves to 5 minutes.</i>		
4. Approval of Agenda – September 26, 2024 (ACTION)	1	
5. Welcome and Remarks from Executive Director (Information)		4:02 PM
6. Approval of Investment Policy Plan (ACTION)	2-8	4:05 PM
7. Foundation Priorities Discussion 7.A. Board Recruitment 7.B. Charitable Remainder Trusts 7.C. Hancock Honors Recap		4:10 PM
8. Presentation Deborah Pirman, Director, Lompoc Valley Center and Extended Campus		5:00 PM
9. Consideration of New Business		5:20 PM
10. Next Meeting – Thursday, November 21, 2024, at 4-6 p.m.		
11. Adjourn (ACTION)		5:30 PM

*In compliance with the Americans with Disabilities Act, if you need assistance to participate in this meeting, please contact the Allan Hancock College Foundation office at (805) 925-2004. Please make requests 48 hours prior to the meeting in order to make reasonable arrangements to ensure accessibility to this meeting.*




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Jon Hooten, Ph.D.  
 Executive Director  
 Allan Hancock College Foundation

<b>To: Board of Directors</b>	<b>ACTION</b>
<b>From: Jon Hooten, Executive Director AHC Foundation</b>	<b>September 26, 2024</b>
<b>Subject: Approval of Investment Policy Plan</b>	

**BACKGROUND**

The purpose of the Foundation’s Investment Policy Plan is to provide guidance to all related parties as to how the funds of the Foundation’s investments shall be managed.

The proposed change is under section 4.4 Diversification and Asset Allocation to increase fixed income from 40% to 60%.

**RECOMMENDATION**

The Finance Committee and the Executive Committee recommend the board of directors approve the Investment Policy Plan as submitted.



**ALLAN HANCOCK COLLEGE FOUNDATION  
INVESTMENT POLICY STATEMENT**

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# ALLAN HANCOCK COLLEGE FOUNDATION INVESTMENT POLICY STATEMENT

## 1. INTRODUCTION AND PURPOSE

The Allan Hancock College Foundation (Foundation) is a non-profit corporation dedicated to:

- Soliciting and raising money to award scholarships to students enrolled at Allan Hancock College (AHC) or who are preparing to leave AHC to continue their studies at a four-year college/university.
- Supporting the educational programs of Allan Hancock College.
- Assisting Allan Hancock College in the funding of its capital needs.

With this mission in mind, the purpose of this Investment Policy Statement is to provide guidance to all related parties as to how the funds of the Foundation shall be managed. Its intent is to outline a philosophy and attitude which will guide the investment management of the Foundation's assets towards desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical in changing times.

The investment fund shall be managed in accordance with high standards of fiduciary duty and in compliance with applicable laws and regulations, including but not limited to the Uniform Prudent Management of Institutional Funds Act.

This policy will be reviewed on an annual basis and updated as appropriate. The Finance Committee shall be responsible for the investment and reinvestment of funds and assets of the Allan Hancock College Foundation. Once approved by the Finance Committee, the document will be approved by the full Board of Directors at its regularly scheduled meeting.

In fulfilling its responsibilities under this Statement, the Finance Committee shall, among other activities, recommend to the Board of Directors the hiring and dismissal of investment managers, fiscal agents and other agents.

## 2. SCOPE

This Investment Policy Statement applies only to those assets for which the Foundation directors have discretionary authority. All other assets shall be managed in accordance with the guidelines established for those specific assets.

## 3. OBJECTIVES

The primary investment objectives of this policy are:

- To provide sufficient total return to support the scholarship program of AHC in a significant way and to support other educational programs wherever possible.
- To preserve and grow investment principal so that scholarship and educational programs can be supported over the long term.
- To maximize the total rate of return on Foundation assets consistent with reasonable standards of prudence and risk tolerance.
- To manage the Foundation's assets with a responsible sense of care, skill and diligence in all decisions.

## **4. POLICIES**

### **4.1. Finance Committee**

Investments are the responsibility of the Finance Committee acting under the direction of the Foundation Board. The college Associate Superintendent/Vice President, Finance and Administration, is responsible for opening bank, brokerage, and safekeeping accounts, for executing such documents as may be necessary, and entering into investment manager agreements. As per Education Code 81655, only those persons delegated authority by the college's governing board and approved by the Foundation's board of directors shall be authorized to enter into a Power of Attorney agreement with investment managers and to execute transactions, upon approval of the Finance Committee. With the approval of the Finance Committee, the college president, college associate superintendent/vice president of administrative services and the Foundation executive director shall jointly establish a system of internal controls which shall be documented in writing. The internal controls shall be periodically reviewed and approved by the independent auditor for the Foundation. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees and directors of the Foundation.

### **4.2. Acceptable Investments**

- 4.2.1. Obligations of the U.S. Government and U.S. Federal Agency Securities.
- 4.2.2. Certificates of Deposit in any U.S. commercial bank or savings institution provided that the collective amount in any one institution does not exceed FDIC/SAIF insurance limitations (per the Dodd-Frank Wall Street Reform and Consumer Protection Act, permanently insured at \$250,000 as of July 21, 2010). Limitation may be exceeded where the banking institution or its parent has an investment rating of at least "A" by Moodys, Standard & Poors and/or Fitch's rating service. This restriction does not apply to separately managed portfolios or mutual funds.
- 4.2.3. Corporate notes, bonds and commercial paper provided that the issuer is rated at least "A" by Moodys, Standard & Poors and/or Fitch's rating service. This restriction does not apply to separately managed portfolios or mutual funds.
- 4.2.4. Convertible bonds. Provided that the issuer is rated at least "A" by Moodys, Standard & Poors and/or Fitch's rating service. This restriction does not apply to separately managed portfolios or mutual funds.
- 4.2.5. Money Market Mutual Funds
- 4.2.6. Equities. U.S. Domestic securities with market capitalization's of at least \$250 million that are traded on one of the major U.S. exchanges. This restriction does not apply to separately managed portfolios or mutual funds.
- 4.2.7. Foreign Equities. Traded as American Depository Receipts (ADR's). This restriction does not apply to separately managed portfolios or mutual funds.
- 4.2.8. Mutual Funds and separately managed accounts that are diversified holdings of equities in particular market capitalization groups and asset styles.
  - 4.2.8.1. Large Cap – Growth
  - 4.2.8.2. Large Cap – Value
  - 4.2.8.3. Large Cap – Blend
  - 4.2.8.4. Mid Cap – Growth
  - 4.2.8.5. Mid Cap – Value
  - 4.2.8.6. Mid Cap – Blend

- 4.2.8.7. Small Cap – Growth
- 4.2.8.8. Small Cap – Value
- 4.2.8.9. Small Cap – Blend
- 4.2.8.10. Emerging Markets
- 4.2.8.11. International (by size, style and geography)
- 4.2.9. Exchange Traded Index Funds
- 4.2.10. Real Estate may be held provided it is the result of a gift to the AHC Foundation and the Finance Committee has determined that it either generates sufficient rental income to justify the cost of ownership or there is a compelling need for the property at some point in the future that justifies holding the property.
- 4.2.11. Real Estate Investment Trusts (R.E.I.T.'s), as well as mutual funds and separately managed portfolios investing in real estate.
- 4.2.12. Alternative Investments such as hedge funds may be used as an additional investment vehicle to enhance returns, reduce volatility, and expand the diversification of Foundation assets.
- 4.2.13. Mortgage Backed Securities and CMO's (excluding PAC bonds, IO's, PO's, residual bonds, etc.) may be used. These securities shall be treated as part of the Foundation's fixed income asset class.

#### **4.3. Prohibited Investments**

The AHC Foundation will not invest directly in these investments. However, it is expressly understood that through our investing in certain Hedge Funds, Mutual Funds, separately managed accounts, or Alternative Investments, these fund managers may in turn be investing in certain of these instruments as part of their investment strategy.

- 4.3.1. Commodities and Futures Contracts
- 4.3.2. Private Placements
- 4.3.3. Options
- 4.3.4. Limited Partnership (does not apply in cases of Alternative Investment funds established as LLP)
- 4.3.5. Venture Capital Investments
- 4.3.6. Derivative instruments (except mortgage backs and CMO's)
- 4.3.7. Short selling, puts, calls
- 4.3.8. Margin transactions
- 4.3.9. Oil and gas or natural resource properties
- 4.3.10. Art objects or other collectibles
- 4.3.11. Private stock issuance
- 4.3.12. Cryptocurrency, Bitcoin, and/or digital currency

#### **4.4. Diversification and Asset Allocation**

Diversification is recognized by the Finance Committee as a critical tool to balance risk, return, and correlation characteristics of different asset classes in the Foundation's overall investment structure. The AHC Foundation has established the following optimal allocation of assets when investing new monies. Realizing that these strategic optimal allocation targets may have to be adjusted in certain market conditions, it has also established maximums and minimums to cover these conditions.

##### Recommended Allocation

<u>Asset Class*</u>	<u>Minimum</u>	<u>Maximum</u>
Total U.S. Equities	30%	85%

-Large Cap Equities	10%	50%
-Mid Cap Equities	0%	20%
-Small Cap Equities	0%	15%
International Equities	10%	50%
Fixed Income	15%	60%
Other (R.E.I.T.'s Hedge Funds, Alternatives, etc.)	0%	25%

\*These targets relate to non-restricted long-term funds under management such as the endowment funds which support scholarships and programs. The foundation may make exceptions for donors who require investments that fall outside these guidelines.

#### 4.5. Investment Consultants and Managers

Acting on instructions from the Finance Committee, the Foundation may enter into an agreement with an investment consulting service to advise in the selection of qualified investment managers, preparation of investment policy statements, and the monitoring and review of the manager performance.

The investment consultant shall be independent of any selected investment manager.

Any professional investment manager(s) retained by the Foundation must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisory Act of 1940. The firm must be registered in its state of domicile, and have been in business a minimum of five years.

The Finance Committee may also choose to utilize the services and strategy of a Community Fund or other manager that has its own investment policy. If this is desirable, the Finance Committee will execute a due diligence review of the firm's investment policy to understand compatibility with AHC's goals and objectives.

#### 4.6. Meetings, Reporting and Communication

The Finance Committee of the AHC Foundation will meet regularly, generally quarterly and in no event less than quarterly. The committee is responsible for reporting the results of its discussions and decisions to the Executive Committee of the Board of Directors. Also, on a quarterly basis, it will report to the full Board of Directors at its regular quarterly meeting the following key information:

- 4.6.1. Period-to-date financial results
- 4.6.2. Period-to-date financial results vs. budget
- 4.6.3. Investment Portfolio results to date
- 4.6.4. Current Investment Portfolio valuations
- 4.6.5. Other pertinent investment and financial information as appropriate.

#### 4.7. Evaluation of Performance

Fund managers will be evaluated on at least an annual basis. Their performance over a sufficiently long-time horizon (at least 3 to 5 years) shall be compared to indices of similar style funds (e.g. – S & P 500, Russell 3000, etc.) and/or comparable benchmarks. Managers who consistently under perform versus appropriate benchmarks over longer time horizons will be replaced unless compelling evidence exists to suggest that the funds performance has returned to, or is about to return to, an acceptable level.

### 5. DONATIONS

The Finance Committee will demonstrate “due diligence” in considering donations other than cash or liquid assets. It is recommended, and in some cases required, that the donor provide an assessment and/or valuation report. If the Foundation is required to pay for the study, the

study will be performed to furnish reassurance that “due diligence” was performed, should problems arise. In consideration of a gift of real estate, the committee shall use a qualified environmental consultant to provide an environmental site assessment to disclose any contamination problems or other potential problems. The committee will also consult a lawyer to interpret any legal ramifications or liabilities. The Finance Committee will make a recommendation to the Executive Committee to accept or reject the gift offer.

## **6. CONFLICT OF INTEREST**

A conflict would result from any transaction in which the college or the Foundation is a party, in which an “interested person” had a direct or indirect material financial interest. For this purpose, an “interested person” is any director, officer, or employee of the Foundation. Anyone with a conflict of interest shall be precluded from the discussion and the decision making of that transaction.

Additionally, on an annual basis, all members of the Finance Committee shall sign the Foundation’s “Statement of Conduct, Commitment, and Conflict of Interest”, a copy of which will be available for public review in the Foundation office.

## **7. CONCLUSION AND CERTIFICATION**

This Investment Policy Statement is designed to be used as a guideline to assist the AHC Foundation Board of Directors, the Finance Committee, and any Investment Consultants or Managers. It should be viewed as a flexible document whose purpose is to assist all parties in the management of the Foundation’s assets.

The following Finance Committee members have reviewed and approved this Investment Policy Statement at the meeting held on September 26, 2024:

Approved: 11/15/2023  
Approved: 10/19/2022  
Approved: 1/13/2021  
Approved: 7/10/2019  
Approved: 3/28/2018  
Approved: 9/22/2016