



INSTITUTIONAL POLICY: F-09

Category: Finance
Subject: Investment Policy
Effective Date: July 1, 2014
Last Revision Date: N/A

F 09-1. Authority

W. Va. Code § 12-1-12d

F 09-2. Scope

This policy governs the investment of West Virginia School of Osteopathic Medicine (“WVSOM”) funds with the West Virginia School of Osteopathic Medicine Foundation, Incorporated (“WVSOM Foundation”), and particularly the Unrestricted Investment Pool, as defined below.

F 09-3. Purpose

- 3.1 As per W. Va. Code § 12-1-12d, the WVSOM Board of Governors (the “Board”) may invest certain funds with the WVSOM Foundation. WVSOM has, therefore, set up the Unrestricted Investment Pool (“Unrestricted Investment Pool”) comprised of the moneys of WVSOM that are collected under an act of the West Virginia Legislature for specific purposes. This policy provides the framework for the investment, maintenance, and enhancement of the Unrestricted Investment Pool.
- 3.2 The Board is charged with establishing an investment policy in accordance with the Uniform Prudent Investor Act, W. Va. Code § 44-6C-1, *et seq.*, as may be amended from time to time, (“Uniform Prudent Investor Act”) for those moneys invested in the Unrestricted Investment Pool. The Unrestricted Investment Pool was created to facilitate prudent asset management in accordance with and subject to the Uniform Prudent Investor Act. The Board will give due regard to the importance of preservation of capital, diversification, risk tolerance, rate of return, stability, turnover, liquidity, and reasonable cost of fees within the Unrestricted Investment Pool. The moneys invested in the Unrestricted Investment Pool may not exceed the amount set forth in W. Va. Code § 12-1-12d.

F 09-4. Investment Philosophy

The Board believes that the Unrestricted Investment Pool should be managed in a manner that is consistent with the philosophy of the Board and in accordance with W. Va. Code § 12-1-12d and the Uniform Prudent Investor Act. The Board recognizes that in any economy, over an appreciable time period, unsupervised assets will be subjected to an inflationary loss of purchasing power as well as market risk. The Board also recognizes that over the long term, the risk of owning equity,

and equity-equivalent, investments has been, and may continue to be, rewarded with a somewhat greater return than that available from fixed income investments. The role of fixed income, and fixed income-equivalent, investments is to reduce risk in the overall Unrestricted Investment Pool.

F 09-5. General Responsibility of the Board

- 5.1 The Board has general responsibility for the management of WVSOM. The Board has delegated certain authority to the President of WVSOM (the “President”), as the Board believed it was prudent for the Board to delegate certain power and control to the President. In making this delegation of authority, the Board also authorized the President to make such further delegations of authority to others as the President deemed necessary and appropriate for the day to day management of WVSOM.
- 5.2 Pursuant to the Board’s delegation of such authority, the President has delegated certain authority to the WVSOM Vice President of Finance and Facilities, who serves as the chief financial officer of WVSOM in regard to overseeing the Unrestricted Investment Pool.
- 5.3 The Board’s Investment Committee shall be comprised of the Board’s Finance and Audit Committee, the Board’s Chair, the WVSOM President, and the WVSOM Vice President of Finance and Facilities.
- 5.4 In accordance with W. Va. Code § 12-1-12d(e), the Board’s Investment Committee shall take into consideration the following:
 - 5.4.1 Preservation of capital;
 - 5.4.2 Diversification;
 - 5.4.3 Risk tolerance;
 - 5.4.4 Rate of return;
 - 5.4.5 Stability;
 - 5.4.6 Turnover;
 - 5.4.7 Liquidity; and
 - 5.4.8 Reasonable cost of fees.
- 5.5 In accordance with W. Va. Code § 12-1-12d(f), the Board shall report annually by December 31 to the Governor and to the Legislature’s Joint Committee on Government and Finance on the performance of investments managed by the WVSOM Foundation.

F 09-6. Specific Responsibilities of the Investment Committee

The Board’s Investment Committee shall:

- 6.1 Develop and promulgate a sound and consistent portfolio strategy, addressing items such as financial and investment objectives, asset allocation, and general maintenance guidelines (e.g. diversification and quality guidelines);

- 6.2 Clearly communicate the major duties and responsibilities to those who are accountable for achieving investment results and to whom specific responsibilities have been delegated;
- 6.3 Monitor and evaluate investment results to ensure that the portfolio strategy is being adhered to and that policy objectives are being met;
- 6.4 Undertake such work and studies as may be necessary to keep the Board adequately informed as to the status of the Unrestricted Investment Pool;
- 6.5 Communicate with the Board on an annual basis about the portfolio strategy and investment activity; and
- 6.6 Review the written portfolio strategy at least annually.

F 09-7. Financial and Investment Objectives

- 7.1 **Financial Objective.** The Unrestricted Investment Pool will be used to facilitate prudent asset management and will provide a source of investment income from the unrestricted funds subject to the administrative control of WVSOM that are collected under an act of the West Virginia Legislature for specific purposes. The moneys do not include any funds made available to WVSOM from the State General Revenue Fund or the funds established in W. Va. Code § 29-22-18 or W. Va. Code § 29-22-18a. Implicit in this objective is the financial goal of preserving capital, while enhancing the fund's inflation-adjusted purchasing power through investment performance, measured on a total return basis over a market cycle vis-a-vis a blended benchmark.
- 7.2 **Investment Objective.** In meeting the financial objective of the Unrestricted Investment Pool, the Board seeks to achieve a high level of total investment return consistent with a prudent level of portfolio risk. As such, the investment objective of the Unrestricted Investment Pool is to attain an average annual real total return (net of investment management fees) that (i) equals or exceeds the return of the Higher Education Price Index (HEPI) and (ii) equals or exceeds the average return of appropriate capital market indices weighted by the asset allocation target percentages over rolling three and five-year periods. The Board recognizes that the real return objective may be difficult to attain in every period, but should be attainable over a series of five-year periods.

F 09-8. Annual Review

The Board will review this policy and its investment objectives annually and will modify them as necessary to reflect changes in the needs of WVSOM as it relates to the Unrestricted Investment Pool and to provide for the financial security of the moneys invested with the WVSOM Foundation.