

**BUSINESS AFFAIRS COMMITTEE OF THE BOARD OF TRUSTEES**  
**Community College of Philadelphia**  
**Wednesday, November 17, 2021 – 9:00 A.M.**

**Present for the Committee:** Mr. Michael Soileau, presiding; Lydia Hernández Vélez, Esq. Mr. Steve Herzog, and Mr. Jeremiah J. White, Jr.

**Present for the Trustees:** Ms. Mindy Posoff

**Present for the Administration:** Dr. Donald Guy General, Mr. Jacob Eapen, Ms. Josephine DiGregorio, Ms. Carol de Fries, Dr. Samuel Hirsch, Danielle Liautaud-Watkins, Esq., Mr. Gim Lim, Dr. Darren Lipscomb, Dr. Shannon Rooney, Mr. Derrick Sawyer, Dr. David Thomas, Dr. Mellissia Zanjani, and Victoria Zellers, Esq.

**Guest:** Ms. Sabrina Maynard (Office of the Director of Finance, City of Philadelphia)

**AGENDA - PUBLIC SESSION**

Mr. Soileau called the meeting to order at 9:03 A.M. He stated that Ms. Posoff, in conjunction with Mr. Eapen and Mr. Lim, worked diligently to carefully review and improve the Investment Policy. Mr. Eapen informed Mr. Soileau and the Committee that the Investment Policy for Operating Funds will not be motioned on today since the policy is being reviewed by Ms. Zellers and her team.

**(1) Investment Policy for Operating Funds (Information Item)**

Mr. Eapen stated that, with the guidance of Ms. Posoff, substantive changes were rewritten to the Investment Policy for Operating Funds to include the following:

- Oversight of the Policies & Procedures and Investment Objectives
- Charge for the Business Affairs Committee and CCP Management
- Requirements and responsibilities of the Investment Consultants
- Investment goals, objectives and basis for evaluation
- Investment Guidelines
- Asset allocation table
- Diversity, Equity & Inclusion (DEI)
- Environment, Social and Governance (ESG)

The Investment Policy for Operating Funds can be found in Attachment A.

Mr. Eapen reviewed a PowerPoint presentation with the Committee. He stated that the Investment Policy focus is on Core Cash and Working Capital Cash. Mr. Eapen explained that the Core Cash is in the College's investment portfolios with TIAA and the Commonfund. The Working Capital Cash is strictly invested in money market funds for daily operations. Mr. Eapen mentioned that he, Ms. Posoff, and Mr. Lim met with TIAA and the Commonfund to get their input on the Investment Policy.

Mr. Eapen stated the roles and responsibilities for adopting and maintaining the Investment Policy which will fall under the Business Affairs Committee and includes

College management which consists of the Vice President for Business and Finance and the Assistant Vice President for Accounting and Controller under the guidance of President Generals, and a potential Sub-Investment Committee; as well as continuingly conducting meetings with the College's investment consultants: Commonfund and TIAA.

Ms. Posoff mentioned that she had a great experience working with Mr. Eapen and Mr. Lim on the Investment Policy. She stated that a clear roadmap was developed with the roles and responsibilities of staff, the Board of Trustees, and the investment consultants as to how these funds should be managed by stating the objectives and managing the funds on a big scope. Ms. Posoff stated that the core piece of the Investment Policy provides that roadmap as to what we lay out now and in the future. She underscored that the Investment Policy should be reviewed on an annual basis.

Mr. Soileau stated that it is the fiduciary responsibility of the Board of Trustees that these documents exist. Ms. Posoff added that one of the key core values of the Investment Policy was the addition of Diversity, Equity & Inclusion (DEI). She stated that the revisions in the policy dealt with the "tone" in handling the responsibility in the investment of the funds.

Mr. Eapen continued with his presentation. He stated that the Total Domestic Equities' target allocation is 40% with an allowable range between 30% to 50% and benchmark to S&P 500 index; the target allocation for Total Fixed income is 60% with an allowable range of between 50% to 70% and benchmark to either the Bank of America Merrill Lynch 1-3 Years Treasury Index or the Bloomberg Barclays US Aggregate Bond Index; the target allocation for Cash/Short Term funds is 0% with an allowable range of between 0%-20% and benchmark to 3-Month Treasury Bill Index. Mr. Eapen stated that there exist some risks with major changes; however, the investments are long-term. Ms. Posoff stated that the asset allocation in this pool of money is fiduciary and more prudent since it is not limited to one asset class. She pointed out that the ranges are listed on page 5 of the Investment Policy. Mr. White added that he was pleased the Investment Policy was carefully reviewed and that the funds are not sitting in one asset class. Mr. Soileau agreed and stated that there should be some level of diversity in the investment portfolio.

Mr. Eapen informed the Committee that Mr. Dubow reviewed the draft Investment Policy and provided substantive changes.

Ms. Posoff commented that it was important for the legal team to review the policy since there are major changes to the investment portfolio. She stated that the policy is a "living, breathing document" and DEI and SEG were important segments.

Mr. White asked what role does the Auditors play in the College's investments. Mr. Lim responded that the auditors perform independent confirmations on the account balances and also ensure that appropriate footnotes disclosing the assets and the risk levels as required by GASB are disclosed on the Audited Financial Statements.

Mr. White commented as part of the Middle States standards, it is important that the Board of Trustees should oversee key policies. Mr. White asked when changes to the policies are made, how are they documented. Ms. Posoff stated that each Committee should have a working calendar of the fiscal and operational policies. For example, every

March, the Business Affairs Committee will review the Investment Policy and make any necessary amendments. Ms. Zellers pointed out that the College maintains a Policies and Procedures website of major policies (not all policies) and is broken down into different categories such as Financial, Students, and Affirmative Action/EEO. The policies list the creation date and the revision dates. Ms. Zellers added that Middle States requested that the College create a policy on policies and that Ms. Hurst will be in charge of creating the policy.

Dr. Generals stated that the review of the investment policy is very timing in that the College is currently in the Middle States Assessment (MSA) self-study process and that our policies are driving actions. Standard 7 of the MSA self-study would help to foster the economic environment that we are currently in.

Mr. White commented on forming the Sub-Investment Committee which will be a "subset" of the Business Affairs Committee.

Mr. Herzog stated that he supports the change in asset allocation but it would be helpful to review the returns so that we can project what to be expected in the future.

## **(2) Next Meeting Date**

The next meeting of the Committee will be a virtual Combined Business Affairs and Executive Committee of the Board of Trustees scheduled for **Thursday, December 9, 2021 at 3:00 P.M.**

Following the review of the Investment Policy, the Committee went into an Executive Session at 9:30 A.M. to discuss financial matters.

The meeting adjourned at 10:30 A.M.

# **ATTACHMENT A**

## **Investment Policy for Operating Funds**

# Community College of Philadelphia Investment Policy for Operating Funds

**Draft**  
11/01/2021

## **BACKGROUND AND OVERVIEW**

Community College of Philadelphia (CCP), the City's college, is positioned to respond to the rapidly changing landscape for higher education. Over the past 50 years, the College has lived up to its mission by providing educational access for over 700,000 Philadelphians, setting families, businesses, and neighborhoods on a path to shared prosperity and opportunity.

The College serves Philadelphia by preparing its students to be informed and concerned citizens, active participants in the cultural life of the city, and enabled to meet the changing needs of business, industry, and the professions.

The College's vision is to create an environment that values and supports a culturally diverse and intellectually dynamic community and prepares students for global citizenship.

The College takes pride in its leadership role and in 2020/2021 added Diversity, Equity, and Inclusion (DEI) as part of its 2025 strategic initiatives. The College places fairness and honesty at the center of all its policies and operations and affirms that diversity is crucial to a democratic society, as it enriches the educational experience and celebrates differences among individuals.

The College's Operating Funds investment principles will continue to reflect CCP's mission, vision, and strategic initiatives.

## **STATEMENT OF PURPOSE**

The Purpose of this Investment Policy (together with its Appendix) outlines the objectives, investment policies, and guidelines for the operating funds for Community College of Philadelphia (CCP).

Part I has two purposes:

- (1) to define and assign responsibilities of the parties involved; and
- (2) to establish a clear understanding of the investment goals and objectives for operating funds and a basis for evaluating investment results.

Part II provides guidelines and limitations to all investment consultants including the CCP management team, regarding the investment of the College's operating funds.

Definition – Operating Funds:

Operating funds for the purpose of these Investment Policy are defined as dollars which are available to the College as part of the normal course of college operations. Primary sources of operating dollars are City and State appropriations, students' tuition and fee payments and investment income. Not included in this definition of operating funds are dollars received for restricted purposes, and quasi and true endowment funds.

## **PART I - OVERSIGHT POLICIES AND PROCEDURES AND INVESTMENT OBJECTIVES**

(1): Roles and Responsibilities:

CCP Board of Trustees and Business Affairs Committee of the Board of Trustees:

- CCP Board of Trustees provides an oversight role to the College.
- The Board of Trustees delegates to the Business Affairs Committee along with CCP Management the ongoing review and oversight of the investment policy and other activities regarding CCP's Operating Funds including but not limited to establishing and maintaining reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the operating funds.
- Business Affairs Committee will report on an annual basis to the Executive Committee and on as a needed basis to the Board of Trustees regarding:
  - investment updates
  - changes in material policies or procedures
  - recommended changes of outsourced investment professionals involved in the process of managing and/or investing CCP's operating funds
- Subject to a vote of the Board of Trustees, The Executive Committee may at any time elect to oversee these policies directly, in which case, they would be subject to the same roles and responsibilities outlined in this policy.

### **The Business Affairs Committee of the Board of Trustees:**

The Business Affairs Committee is charged with:

- adopting and maintaining investment policies that are consistent with the Board's role as stewards of public dollars and the collective philosophy of the Board with respect to investment asset risk and liquidity.
- monitor the investment strategies and rates of return to ensure compliance with Board established guidelines.

- regular review of the investment policy statement and guidelines.
- participation in meetings with CCP staff and as appropriate with the outsourced consultants to review investment policies goals and returns.

### **CCP Management**

The designees of the College management team, namely the Vice President of Business and Finance and the Assistant Vice President for Accounting and Controller are responsible for the investment of operating funds under the policies established by the Board of Trustees and overseen by the Business Affairs Committee.

- College management will prudently and diligently identify and recommend to the Board of Trustees qualified investment professionals, including investment management consultant(s), custodian(s), and trustee(s),
- College management will regularly evaluate the performance of the investment consultants to assure adherence to policy guidelines and monitor investment objective progress.
- College management will meet regularly with the Business Affairs Committee to review and evaluate all aspects of the investment process including but not limited to the investment policy, goals, returns and outsourced consultants.
- College management will meet regularly with all outsourced investment professionals including management consultants, custodians and trustees.

College management will meet regularly with the Business Affairs Committee or its designees with the outsourced investment management consultants.

### **Requirements and Responsibilities of the Investment Consultants**

Investment consultants must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank. Each investment consultant must acknowledge in writing its acceptance of responsibility as a fiduciary. Specific responsibilities of the investment consultants include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities while observing and operating within all policies, guidelines, constraints and philosophies as outlined in this statement. Any deviation requires written approval from Vice President of Business and Finance and Chair of the Business Affairs Committee.
2. Monthly reporting on a timely basis of account valuations and investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or changes within the investment management organization, or any

other factors which affect implementation of investment process or their progress toward investment objectives.

4. Complying with any legislative or regulatory statutes and stipulations.

No person whether from CCP Management, CCP Board of Trustees or any of the designated Outsourced Investment professionals may engage in an investment transaction except as provided under the terms of the investment policy. The Trustees and CCP Management shall adhere to the Conflict of Interest Policy.

## **(2): Community College of Philadelphia General Investment Goals, Objectives and Basis for Evaluation**

The general investment objective is to maintain liquidity, preservation of capital and maximize annual total return for the College while avoiding excessive risk. CCP believes that the achievement of investment returns should be viewed in a long-term context. Furthermore, CCP recognizes that rates of return are volatile on a year-to-year basis and that investment returns will not progress uniformly over time. Thus, volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index. Specific objectives include the following:

1. Maintain liquidity to meet anticipated cash needs.
2. Preservation of principal is of equal importance to total return. CCP recognizes that it may be necessary to forego opportunities for potential large gains to achieve a reasonable risk posture.
3. Understanding that risk is present in all types of securities and investment styles, CCP recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet CCP's objectives. However unnecessary levels of risk taking are to be avoided.
4. Diversification, in so far as it reduces portfolio risk, is required.
5. Operating funds shall be invested in accordance with a fiduciary standard of care.
6. Conformance with applicable Federal, State, City, and other legal requirements.
7. Each consultant is expected to meet or exceed the market index/benchmark selected and agreed upon while displaying an overall level of risk consistent with the risk associated with their benchmark over a five-year period. This information will be reviewed at the quarterly meetings with College management.



## **PART II - INVESTMENT GUIDELINES**

### 1. Investment Approach

The College's operating fund balances will be divided into two categories for investment purposes:

- A. Core Cash – Funds, which based upon the College's financial history, are not required for operating purposes at any point during the fiscal year. Funds in this category can be invested in fixed-income investments of varying maturities but must be of investment grade overall (equivalent of Moody's credit rating of Baa3 rating or higher), equity securities, mutual funds, ETFs as well as other allowable assets listed below.
- B. Working Capital – Cash balances required on a continuous basis to meet payroll and other operating purposes. Excess Funds in this category are to be invested in short-term fixed-income instruments where there will be little to no fluctuations in asset values.

### 2. Policy Benchmarks

#### Core Cash

The fixed income portfolio and the stock equity portfolio will attempt to maintain or exceed the market index/benchmarks selected and agreed upon by College management and investment consultants. The benchmarks are outlined in the Appendix under the Asset Allocation Table

#### Working Capital

Policy benchmark for Working Capital is return on daily liquidity and benchmark to the 3-Month Treasury Bill Index.

### 3. Allowable Assets

Within each asset class, CCP seeks to earn the most efficient rate of return possible (after investment expenses). CCP seeks to have a diversified strategy which will increase the probability over five-year time periods that CCP will achieve its investment goals and reduce volatility.

For domestic equity, no more than 5% at cost or 10% at market of a manager's portfolio may be held in the securities of a single issuer.

The average quality rating for the corporate bond portfolio should not fall below Moody's rating of AA3.

No more than 5% at market of a manager's fixed income portfolio may be held in the securities of a single corporate issuer. This restriction does not apply to securities issued by the U.S. Government or a U.S. Government Agency backed by the full faith and credit of the U.S. Government.

In some cases, CCP's investments have been made through commingled vehicles. The investment strategies and restrictions for each of these investment vehicles were established with the Investment Consultant and follow the allowable and restricted guidelines of CCP's investment policy.

Allowable Assets are limited to Cash Equivalents, Stock Equities, and Fixed Income Securities as follows:

A. Core Cash

- US stock equities
- Commonwealth of Pennsylvania Investment Pools
- Stock Mutual funds
- Exchange Traded Funds (ETF)
- Index Funds
- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Mortgage Backed Bonds
- Asset Backed Bonds
- Floating Rate Securities
- Global Bonds
- Core Bonds

B. Working Capital Cash

- Treasury Bills
- Money Market Funds
- Commercial Papers
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit
- Mutual funds that invest 100% of its total assets in cash, U.S. Treasury bills, notes, and other obligations issued or guaranteed as to principal and interest by the U.S. Treasury.

4 Prohibited Direct Investments

Prohibited direct investments are any investments that are not specifically authorized within this statement. These include but are not limited to the following:

- a. Commodities and Futures Contracts

- b. Private Placements
- c. Options
- d. Interest rate swaps
- f. Venture Capital
- g. Tangible Personal Property
- h. Direct Real Estate
- i. Art/Precious Metals
- j. Margin Transactions
- k. Oil and Gas Payments /Drilling Partnerships
- l. Instruments issued in any country where such investments are prohibited by City, State, or Federal policies.

5. Safekeeping and Custody

As outlined in the Investment Consultants Agreement.

6. Contractual Arrangement with Investment Consultants

Contractual arrangements with organizations providing investment services will be short-term with the College reserving the right to terminate the relationship without financial cost other than that paid for services to date.

7. Board Review of Guidelines and Performance

The Business Affairs Committee of the Board of Trustees will seek to review the Investment Policy and performance on an annual basis to determine any appropriate revisions. Business Affairs Committee will report to the Executive Committee and on as a needed basis to the Board of Trustees

8. Change in Status of Investment.

The guidelines, outlined above, apply at the time of purchase. CCP recognizes that subsequent market valuation changes may cause an investment, which was allowable at the time of purchase, to subsequently fall outside of these stated guidelines. In those instances, it is expected that the investment consultants will either reduce the investment so that it is allowable under the guidelines or obtain written approval from College management to continue the investment.

9. Risk Monitoring

Each consultant is expected to meet or exceed the market index/benchmark selected and agreed upon while displaying an overall level of risk consistent with the risk associated with their benchmark.

**BOARD APPROVED: FEBRUARY 7, 2008**

**BOARD AMMENDED – XXX, 2021**

## APPENDIX

### Asset Allocation Table

The overall strategic asset allocation of the Core Cash is listed below. Exposure to each asset class will be measured on market value and is subject to the rebalancing guidelines described below

Asset Class	Target Allocation	Range*	Index Benchmark**
Total Domestic Equities	40%	30% - 50%	S&P 500 Index
Total Fixed Income	60%	50% - 70%	Bank of America Merrill Lynch 1-3 Yr Treasury Index Bloomberg Barclays US Aggregate Bond Index  <i>(The duration of a manager's portfolio should be within 80% and 120% of the duration of the appropriate market benchmark)</i>
Cash/Short Term	0%	0% - 20%	3-Month Treasury Bill Index

\*Initial investment in stock equity will be on an incremental build up using average in and may therefore not fall within the target range initially.

\*\* Other appropriate industry benchmarks may be applied with approval from College management.

### Asset Allocation Rebalancing

The key objective of the portfolio rebalancing process is to minimize the loss of efficiency resulting when the portfolio's actual asset allocations deviates from the target asset allocations. Rebalancing can also be used to enhance the risk adjusted return of a portfolio by the purchase/sale of asset classes at relative low/high valuations.

The portfolio will be rebalanced coincident with material cash inflows or outflows. Additionally, the Consultants will consider rebalancing whenever a single asset class's allocation exceeds +/- five percent (5%) of its target allocation. Rebalancing is ultimately at the discretion of the Investment Consultants.

## **Diversity, Equity and Inclusion (DEI)**

The College is committed to the development of a campus community that values and respects human dignity and differences. We understand that success as an excellent academic institution requires a culture that encourages, embraces, and strongly supports diversity, equity and inclusion.

The Business Affairs Committee will receive annually a brief report from the investment consultants which sets forth both the status of and the steps they have taken to meet or exceed the DEI standards expected by those entities they do business with.

The Business Affairs Committee *and its designees*:

- *believes that it can advance DEI within the scope and fiduciary responsibilities of the CCP Investment Policy and are committed to incorporating principles of DEI in the investment process and oversight.*
- *commits itself to seek to engage with a diverse pool of consultants, contractors and investment managers and investment consultants.*
- *shall elevate DEI attributes through inclusive selection practices when selecting investment managers and investment products.*
- *will include DEI related criterion/ criteria when conducting investment related request for proposals, selecting investment related vendors and as appropriate with investment consultants in evaluating investment opportunities.*
- *commit to receiving annually a brief report (written or verbal) from the investment consultants which updates the committee on the status of the investment consultants' efforts to expand DEI standards within their firm as well as an update of DEI standards of the investment and portfolio managers they include in CCP portfolios.*
- *will maintain a commitment to ensure its process, procedures and oversight practices will include the regular review and benchmarking of DEI investment goals that affirm accountability, progress and adherence to these principles.*
- *commit to continue to regularly evaluate and adopt principles and best practices of emerging topics of social impact as it relates to DEI within the investment policy framework.*

## **Environmental, Social and Governance (ESG)**

*CCP Board of Trustees of its designees will strive to:*

- *be educated on ESG issues and risk factors as it relates to CCP investment policy and investment*
- *commit to continue to regularly evaluate and adopt principles and best practices of emerging topics of ESG as it relates to the investment policy framework.*