

Ferris Foundation Investment Policy
Unrestricted Funds and Other Temporary Funds
Approved March 12, 2010

Purpose: The purpose of this policy is to establish investment direction for the Ferris Foundation's (the Foundation's) unrestricted operating funds and temporarily restricted funds not covered under the endowment pool investment policy statement or the investment guidelines of its annuity pool of funds.

The Investment Committee is charged with the responsibility for managing Foundation assets. The Investment Committee will discharge its duties solely in the interest of the Ferris Foundation and its beneficiary organization, Ferris State University.

The Investment Committee authorizes the Foundation Executive Director or his/her designee to perform cash management duties and make investments based on the following policy guidelines. The Foundation Executive Director or his/her designee shall exercise ordinary business care and prudence under the facts and circumstances prevailing at the time. Consideration will be given to cash flow needs and other liquidity requirements in the placement of investments under this policy.

The plan for the foreseeable future is to use one or more money manager(s) to manage these funds. Manager(s) will be expected to invest funds as outlined below based on cash flow needs determined by the Foundation or University. These funds will be a separate investment pool, different than the endowment pool of funds and managed separately per this policy statement.

Investment of Operating Funds and Temporary Funds

Funds for operating purposes are generally considered to be needed within one year and as such will be limited to the following general guidelines and objectives:

The primary investment objective for investments needed within one year will be to provide for the preservation of capital. Funds needed for expenditures in less than one year will be considered short term. The short-term investment pool shall have an average weighted maturity of between one day and one year, as appropriate based on cash flow needs.

The total return for the short-term investment pool shall exceed the benchmark of 3-month U.S. Treasury Bills.

Funds for temporary restricted purposes where funds are not needed for over one year may be invested in intermediate type of investments with average weighted maturities from one year to three years. Other unrestricted gifts not considered to be operating funds of the Foundation or a portion of operating fund balance may be determined to be available for investment for over one year. The Executive Director or his/her designee will determine the amount of operating fund balance and other unrestricted gifts that are available to be invested over one year.

The primary investment objectives for the intermediate-term investment pool accounts shall be the preservation of capital and the maximization of income without undue exposure to risk. Funds needed for expenditures within one to three years shall be considered intermediate-term.

TIPS are a special type of Treasury note or bond that offer protection against inflation, as the coupon payments and underlying principal are automatically increased to compensate for inflation as defined by the consumer price index (CPI). Although the maturities may be longer than three years, TIPS may be included in the intermediate-term pool based on their risk profile.

The total return objective for the intermediate-term investment pool shall be to exceed the benchmark of the Merrill Lynch 1-3 Year Government Bond Index.

Funds for temporary restricted purposes where funds are not needed for over three years will be identified to the Investment Committee where specific investment objectives, maturities and benchmarks will be established and documented.

Investment Guidelines

The Foundation will manage the investments identified in this policy through the use of a money manager or pooled/mutual funds. The Foundation intends to select and retain a money manager and/or pooled/mutual funds with policies similar to this policy statement. The manager and pooled/mutual funds will be measured against stated performance objectives listed above and must closely follow the investment guidelines below.

1. Invest at least 50% of the portfolio in U.S. Government Securities &/or U.S. Government Agency issues.
2. Up to 10% of the portfolio, at cost, can be invested in any single issue, except the investments in U.S. Government Securities.
3. The weighted average credit quality is to be no less than "AA" for the short-term and intermediate investment pool. At the time of purchase, the minimum acceptable credit quality for individual securities shall be "AA" or higher for the short-term and intermediate accounts. Commercial paper must be at the time of purchase, rated within the highest classification by not less than two national rating services. Bank Certificates of Deposit and Bankers Acceptances are to be rated within the top two rating classifications by any one national rating service (foreign bank exposure is capped at 10% of total Certificate of Deposits/Banker Acceptances assets).
4. Portfolio holdings will be sufficiently liquid so that 20% of the portfolio can be sold on a day's notice with no material impact on portfolio market value.
5. There shall be no investments in non-marketable securities.
6. The investment manager shall not use derivatives.
7. The investment manager will notify the Foundation Treasurer, in writing, of any material changes in its investment outlook, strategy, portfolio changes, ownership and senior or money management personnel.

Conclusion

The investment policy and investment performance of this pool of funds will be reviewed on an annual basis. The Executive Director or his/her designee will report to the Foundation Board each year on the status of non-endowed funds covered by this policy statement.

Policy approval date: ____ March 12, 2010 _____