

## 10-6 Investment Policy

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1. **Purpose.** Eastern New Mexico University (the University) is an institution of higher education whose principal mission is to provide higher educational services to the citizens of New Mexico and the region. Within this mission, the University administers funds received from individuals, organizations and public agencies. The Board of Regents (the Board) adopts this investment policy to serve as the basic framework to guide management investment decisions and actions with respect to funds received.
  
2. **Policy.** The policies established in furtherance of the above purpose are as follows:
  - A. **Board of Regents Review.** The Board shall review and approve this investment policy, as necessary, in all areas in which the Board has discretionary authority.
  
  - B. **Joint Powers Agreement.** Through a Joint Powers Agreement entered into with the New Mexico State Investment Council in 1998 pursuant to NMSA 1978, § 6-8-7G, the University shall engage the State Investment Office to act as its investment manager.
  
  - C. **The Funds.** The University has endowment, quasi-endowment and other funds (collectively, Endowment Funds) which have been restricted or designated for specific purposes. The Endowment Funds are more specifically described as follows:
    - (1) Endowment: The Endowment represents those funds donated or restricted by the donor for specific purposes.
  
    - (2) Quasi-Endowment: The Quasi-Endowment represents those funds committed or designated by the Board for particular purposes. As necessary for the benefit of the University, those purposes may be changed.
  
    - (3) Other Funds: Other Funds are those funds such as cash balances or other monies for which there are no restrictions set by donors or the Board.

The Endowment Funds are set aside for investment purposes, and the uses for the income from those investments have generally been designated by the creation of the endowment or fund. Given the fund purposes and where permitted, the intent is to preserve the Endowment Funds while providing reasonable levels of income for the designated beneficiaries. Some or all of the Endowment Funds shall be transferred into the pooled funds under the management of the State Investment Office.
  
  - D. **Objectives.** The University's principal investment objectives are to maximize investment income and long-term growth of its portfolio while, at the same time, minimizing investment risk. It is the University's intent to diversify the invested funds as much as possible. Adequate diversification shall control risk and minimize the

impact of normal market fluctuations on the Endowment Funds' overall value. It is expected that, over time, the overall level of return shall meet or exceed the S&P 500 Index for equity investments and the Lehman Brothers Aggregate Index for fixed-income investments.

The foregoing purpose and policies are implemented by the following.

### **Procedures**

#### **3. Investment Guidelines.**

- A. General.** The Endowment Funds may be invested with the State Investment Office, State Treasurer's Local Government Investment Pool and with government-insured financial institutions with offices in New Mexico. The State Investment Office shall have full discretionary investment authority over the assets it is responsible for managing on behalf of the University, subject to guidelines and policies set forth in this document and subject to the New Mexico constitution and New Mexico law. The Endowment Funds shall be invested by the State Investment Office in accordance with the "prudent man rule."
- B. Investment Horizon.** The asset management goals and objectives of the Endowment Funds are intermediate to long-term in nature. Consequently, short-term variation in returns is considered normal and thereby acceptable. For purposes of performance appraisal, the investment horizon is defined as one (1) full market cycle of approximately five (5) years. Performance should be measured on a time-weighted, annualized basis with primary emphasis on results experienced over one (1)-, three (3)- and five (5)-year periods.
- C. Asset Allocation.** The Endowment Funds should have an asset allocation strategy which shall protect them against inflation and promote growth. The following guidelines are established to achieve this objective:

<u>ASSET CLASS</u>	<u>LONG-TERM TARGET</u>	<u>ALLOWABLE RANGE</u>
Cash Equivalents	0%	0–10%
Fixed-Income	25%	20–40%
Equity	75%	50–80%

It is recognized that economic and market conditions, as well as cash needed for distributions, may cause the asset allocations to fluctuate within the allowable ranges, and that the allowable ranges shall not apply during the initial investment of the assets. The above percentages shall be based on the market value of the funds.

- D. Eligible Investments.** The Endowment Funds shall be invested in accordance with the New Mexico constitution and New Mexico law.

- 4. Performance Benchmarks.** The University expects to achieve the following performance results over a fair market cycle of approximately five (5) years:

<u>ASSET CLASS</u>	<u>BENCHMARK</u>
Cash Equivalents	90-day T-Bill
Fixed-Income	Lehman Aggregate Index Government Corporate
Equity	S&P 500 Index

- 5. Review Procedures.** The Investment Advisory Committee shall review this investment policy annually to determine if modifications are necessary or desirable. The Investment Advisory Committee shall forward its recommendations to the Board. If the Board approves changes, the changes shall be promptly communicated to the State Investment Office.

Recommended by the Investment Advisory Committee on September 29, 1998.

Approved by the Board of Regents on November 6, 1998.

Amended version approved by University Policy Council October 24, 2005.

Approved by the Board of Regents on November 17, 2005.